

**BELMONT LIGHT**  
Financial Statements  
December 31, 2014 and 2013

BELMONT LIGHT  
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DECEMBER 31, 2014 AND 2013

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# GOULET, SALVIDIO & ASSOCIATES, P.C.

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## INDEPENDENT AUDITORS' REPORT

The Board of Commissioners  
Belmont Light  
Belmont, Massachusetts 02478

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Belmont Light, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise Belmont Light's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Belmont Light as of December 31, 2014 and 2013, and the respective changes in financial position and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1, the financial statements present only Belmont Light and do not purport to, and do not, present fairly the financial position of the Town of Belmont, Massachusetts, as of December 31, 2014 and 2013, and 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 and Other Postemployment Benefits information on pages three through eight and 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient 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 as a whole. The Schedules of Sales of Electricity and Schedules of Operations and Maintenance Expenses on pages 27 and 28 are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements as a whole.

Goulet, Salvidio & Associates, P.C.

*Goulet, Salvidio & Associates, P.C.*

Worcester, Massachusetts  
May 11, 2015

## 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, 2014 and 2013.

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, 2014, it shows our net position increased 13.9% compared to the year ended December 31, 2013. Increases and decreases in net position may serve as a useful indicator of whether the financial position of Belmont Light is improving or deteriorating.

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, 2014 and 2013 was \$2,745,665 and \$1,784,492, respectively.

The Statements of Cash Flows provides 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

	2014	2013
Current Assets	\$ 22,684,484	\$ 15,731,072
Noncurrent Assets	29,157,904	19,971,112
Total Assets	\$ 51,842,388	\$ 35,702,184
Current Liabilities	\$ 2,660,069	\$ 16,341,734
Noncurrent Liabilities	30,247,938	2,923,675
Total Liabilities	32,908,007	19,265,409
Deferred Inflows of Resources	1,719,266	1,317,326
Net Position:		
Net Investment in Capital Assets, Net of Related Debt	6,520,835	7,776,855
Restricted for Depreciation	2,951,083	1,742,479
Restricted for Debt Service	1,161,992	852,762
Restricted for Grant Program	4,140	0
Unrestricted Net Position	6,577,065	4,747,353
Total Net Position	17,215,115	15,119,449
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 51,842,388	\$ 35,702,184

## Summary of Changes in Net Position

	2014	2013
Operating Revenues	\$ 23,803,799	\$ 21,615,653
Operating Expenses	20,857,936	19,837,128
Operating Income	2,945,863	1,778,525
Nonoperating Revenues (Expenses)	(200,197)	5,967
Income Before Contributions and Transfers	2,745,666	1,784,492
Beginning Net Position	15,119,449	13,971,682
Transfers In – Contribution in Aid of Construction	0	13,275
Transfers Out – Payment in Lieu of Taxes	(650,000)	(650,000)
Ending Net Position	\$ 17,215,115	\$ 15,119,449

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

In order to fulfill our mission, Belmont Light commits to maintain rate savings 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. Belmont Light's value is measured by its lower rates over surrounding communities and local control of its distribution system. Customer expectations are high in Belmont because it is locally owned and operated.

### Overview of Service

Belmont Light is responsible for acquiring and delivering electricity to the residents, businesses and the Town of Belmont. Belmont Light has two main divisions: Operations and Business/Customer Services. The Operations Division plans, designs, constructs, operates and maintains the distribution system to deliver reliable electricity to customers. The Business/Customer Services Division provides managerial, public relations, financial, ratemaking and legislative services, 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

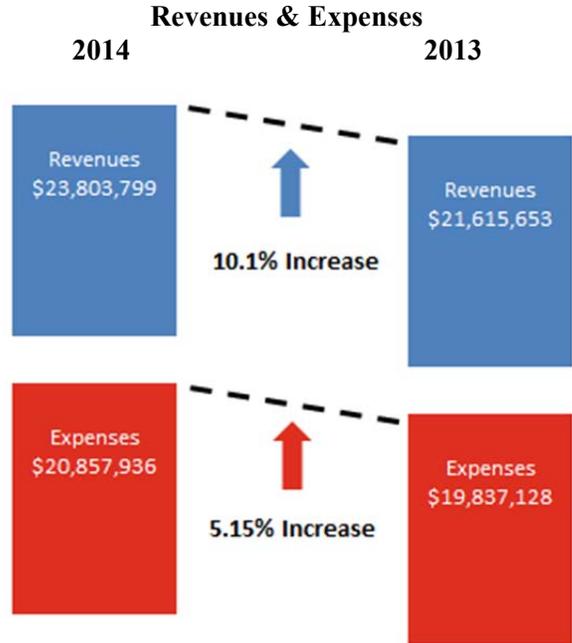
Compared to industry standards Belmont Light continues to provide a high level of system reliability as evidenced by Belmont Light's performance in 2014.

- Due to the mild summer kWh sales decreased 2,983,000 compared to 2013.
- Highest system peak demand of 29.48 MWh occurred on July 23, 2014.
- New rate tariffs implemented effective June 1, 2014 anticipating increased purchase power costs to hit New England in 2014.
- Purchase Power and Transmission adjustment (PPTA) was applied to the customer accounts starting in April 2014 to cover 1<sup>st</sup> quarter 2014 under collected costs.
- Top 20 kWh users generate ~20% of Belmont Light revenue.

## Operating Overview

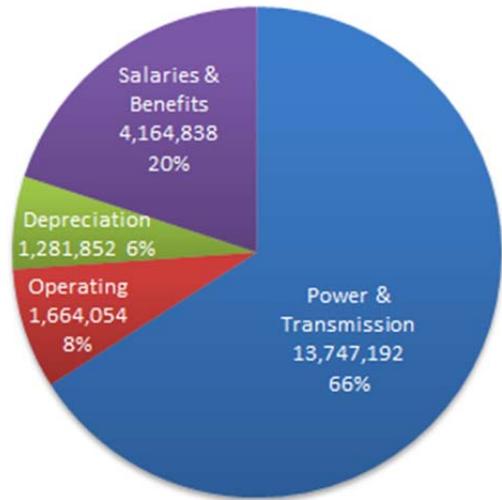
### 2014 Revenue

Revenue from the sale of electricity increased \$2,314,575 due to a new increased rates implemented in 2014, and the debt service charges that were collected for all of 2014. Other operating income decreased \$126,429.



### 2014 Expenses vs. 2013 Expenses

Power costs reflect a \$1,359,033 increase due to higher energy costs in 2014. Meter Costs increased \$16,654 due to maintenance and license fees for new software. General & Admin Salaries expense increased due to the department filling open positions. Outside Services & Consultant expenses decreased \$232,687 due to the IT & Network isolation in, customer service re-organization and re-branding projects in 2013.



### 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. Approval was given by the Department of Public Utilities to increase the rate up to the maximum 5% allowable in order to infuse additional funds into capital projects and system improvements. 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 is \$22.8 million (\$3.5 million for Distribution Plant, \$3.4 million for General Plant and \$15.9 million for Construction Work In Progress). Of the \$6.7 million increase in Construction Work In Progress, \$6.1 million was attributed to the 115KV substation project funded by \$26,100,000 of General Obligation Bonds.

## **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 maturing April 25, 2013. The BAN was refinanced and matured on April 25, 2014. At December 31, 2013 the amount outstanding was \$14,000,000.

On April 25, 2014 the BAN was converted to permanent bond financing with an additional \$12,100,000 borrowed. The \$26,100,000 general obligation bond is to be used to finance the 115kV Transmission Service Upgrade Project. Principle 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 bond. The bond matures on April 15, 2032 and April 15, 2034, respectively.

At December 31, 2014 the amount outstanding was \$26,100,000. Capitalized interest expense relating to this bond amounted to \$681,323 and \$25,053 as of December 31, 2014 and 2013, respectively.

## **Power Supply**

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

It is Belmont Light's policy to contract for environmentally benign and renewable power whenever it is cost-effective relative to other available resources. To this end, in 2014, Belmont Light continued its commitment to exploring emission-free renewable energy opportunities. Per the Town's annual report, highlights from the year include:

- Throughout 2014, 15% of the power that Belmont Light delivered to customers came from hydropower and wind power generation resources. Combined with the 14% of renewable energy resources generally available via the New England power grid, these contracts made it so that approximately 29% of Belmont Light's 2014 energy supply came from renewable energy resources.
- In December, Belmont Light began receiving power from the Saddleback Ridge Wind Project under a Purchase Power Agreement (PPA) that was executed in 2013. Phase I of Saddleback Ridge construction was completed in December 2014 and three turbines are currently operating. Saddleback Ridge is expected to begin full commercial operation with 12 turbines in the fall of 2015. At that time, Saddle Back Ridge will supply approximately 3% of Belmont Light's power under the PPA, increasing the percentage of the amount of energy Belmont Light gets from contracts with specific renewable generators from 15% to 18%.
- Belmont Light will purchase and retire 226 Massachusetts Class I RECs on behalf of customers who participated in the 2014 Green Choice Program.
- Under the Belmont Light's Emission Free Renewable Distributed Generation Tariff, residential and commercial customers provided approximately 300 kW of distributed solar photovoltaic (PV) capacity. In November, the Belmont Light Board approved the Residential Rate APV for customers with solar PV distributed generating facilities, which was deferred by the Light Board in the spring of 2015.
- Belmont Light will continue to seek opportunities to acquire contract rights for proposed renewable energy projects throughout New England.

## **Rates**

A rate increase for residential, commercial, and municipal customers took effect on June 1, 2014. The rate adjustment reflects drastic increases in supply costs for natural gas, which rose throughout New England in 2013 and 2014 due to capacity and transmission constraints. Many other electric utilities across the region also changed their rates as a result of increased supply costs. Under Belmont Light's new rate structure, residential ratepayers are billed an additional 2.274 cents per kilowatt hour over 2013 rates. To help customers manage the high costs of electricity in New England, Belmont Light placed an augmented priority on promoting energy conservation and efficiency throughout 2014. Detailed information on Belmont Light's rates is available at [www.belmontlight.com](http://www.belmontlight.com).

## **Demand Side Management**

Belmont Light maintains a commitment to promoting the efficient use of energy, especially in light of increased energy costs in New England. In 2014, after a competitive application process, Belmont Light was awarded an energy efficiency grant of \$240,250 from the Massachusetts Department of Energy Resources (DOER) to provide two residential energy efficiency programs and a municipal energy efficiency project. The new residential programs began in October and will provide funding for 100 home weatherization projects and 50 high-efficiency heating and cooling installations at significantly reduced costs to customers. Together, the residential energy efficiency programs are expected to save 6,065 MMBtu of electricity annually. The municipal project will include the purchase and installation of 100 LED streetlights and is expected to begin in 2015. The streetlight project is expected to save 26 MWh per year.

Free home energy assessments continued to be offered to residential customers. In 2014, Belmont Light partnered with the Belmont Energy Committee and Sagewell, Inc. to introduce innovation to home energy assessments. Belmont Light customers are now offered some of the most innovative and cost-effective energy audits in the country, incorporating new technology that provides high-tech thermal imaging of buildings and reduces insulation auditing from 3 hours to just 30 minutes.

Belmont Light also supplied residential customers with \$13,500 in rebates for energy efficient appliances through the continuation of its ENERGY STAR Appliance Rebate Program. Gross energy savings from the 2014 Appliance Rebate Program are estimated to be 34,320 kWh annually.

To further promote energy conservation throughout the community, Belmont Light donated over 3,000 energy-efficient light bulbs to customers, property owners, and area schools.

## **Community Outreach**

Belmont Light staff worked closely with the community on spreading awareness about electricity and energy issues, with an emphasis on energy efficiency and conservation. This year, Belmont Light participated in and supported:

- Belmont Town Day;
- meet Belmont;
- civic and community organizations, including the Boy Scouts, the Belmont Lions Club, and the Belmont Energy Committee;
- educational events at Belmont schools;
- the Belmont Farmers' Market;
- the Green Cup Energy Challenge;
- public presentations and forums; and
- the Tree Lighting Ceremony.

Belmont Light also held its second annual Winter Solstice event in December. At the event, residents donated over 50 blankets to Mission of Deeds, a local charity that provides household essentials to residents in need. Belmont Light also encouraged energy conservation through the publication of its annual historic calendar.

Belmont Light Staff worked with Town committees to identify outreach opportunities and collaborate on energy, sustainability, and community initiatives.

## **2014 Activities**

Belmont Light continues to implement its reorganization and restructuring plan with the objective to increase efficiency and provide high-quality customer service.

Belmont Light continued to modernize its infrastructure through its ongoing advanced metering project, which reached the 75% completion point in 2014. The project entails the installation of state-of-the-art hardware, software, and communications networking equipment that will create opportunities for energy savings; operations efficiency; enhanced customer service; and reduced energy costs. The “smart” electric meters installed as part of the project communicate via a highly secure, town-wide, 900-MHz private network. Data collected from these meters will ultimately be made available to customers through a web portal. The web portal will help customers to easily analyze and manage their own electricity usage.

During 2014 Belmont Light continued line distribution activities by replacing and maintaining of old infrastructure and installed 8.58 miles of 13.8 kV distribution cable and 40.87 miles of 4.16 kV cable.

## **Substation and Transmission Project**

An impressive amount of progress was achieved on Belmont’s substation and transmission project in 2014. The project will majorly improve Belmont’s currently unreliable transmission system and aging substations via the building of a new substation building and 115kV transmission line. This project is a critical step in ensuring that Belmont Light customers continue to receive safe, reliable power for years to come.

Over the past year, many important project milestones were reached, including the successful completion of the project’s planning, permitting, negotiations, and design work. For instance, all of the project’s property and easements were secured, and a site visit and hearing with the Massachusetts Department of Public Utilities was successful. Additionally, demolition work at 20 Flanders Road, the future site of the new substation, is underway and a Request for Proposals (RFP) soliciting bids for the construction contract for the new substation building was released in late 2014, as well as RFP’s for the major electrical equipment needed for the new substation.

Looking forward to 2015, the New Year brings with it a focus on construction and building. Construction of the new substation is expected to begin in the 1<sup>st</sup> quarter of 2015 and the delivery of major equipment, including transformers and switchgear, for the building is expected to occur in the 4<sup>th</sup> quarter of 2015. An RFP for the construction of the transmission line was released in the first quarter of 2015 and is to be awarded in June 2015. With the momentum from 2014’s tremendous progress continuing into 2015, the goal for full energization of the new substation remains set for mid-2016.

BELMONT LIGHT  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2014 AND 2013

OPERATING FUND

ASSETS

	2014	2013
<b>CURRENT ASSETS:</b>		
Funds on Deposit with Town Treasurer		
Operating Cash	\$ 7,517,359	\$ 7,165,265
General Bond Fund	11,644,198	4,992,714
Accounts Receivable - Customers, Net	1,263,485	1,406,039
Accounts Receivable - Other	139,376	92,143
Materials and Supplies	349,560	341,696
Prepaid Insurance	92,582	80,754
Purchased Power Prepayments	1,677,924	1,652,461
<b>TOTAL CURRENT ASSETS</b>	<b>22,684,484</b>	<b>15,731,072</b>
<b>NONCURRENT ASSETS:</b>		
Funds on Deposit with Town Treasurer		
Depreciation Fund	2,951,083	1,742,479
Customer Deposits	132,305	133,575
Rate Stabilization Reserve Fund	1,314,433	914,984
Debt Sinking Reserve Fund - Premium	1,576,437	0
Rate Stabilization Reserve Fund - MMWEC	398,744	395,933
Utility Plant Assets, Net	22,784,902	16,784,141
<b>TOTAL NONCURRENT ASSETS</b>	<b>29,157,904</b>	<b>19,971,112</b>
<b>TOTAL ASSETS</b>	<b>\$ 51,842,388</b>	<b>\$ 35,702,184</b>

See Accompanying Notes to Financial Statements

BELMONT LIGHT  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2014 AND 2013

OPERATING FUND

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	<u>2014</u>	<u>2013</u>
<b>CURRENT LIABILITIES:</b>		
Short-term Debt Expected to be Refinanced:		
Bond Anticipation Note	\$ 0	\$ 14,000,000
Bond Payable, Current	990,000	0
Accounts Payable	1,192,396	1,410,586
Accrued Expenses	<u>477,673</u>	<u>931,148</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>2,660,069</u>	<u>16,341,734</u>
<b>NONCURRENT LIABILITIES:</b>		
Customer Deposits	132,505	133,575
Bond Payable, Net of Current Portion	26,918,265	0
Other Postemployment Benefits Obligation	<u>3,197,168</u>	<u>2,790,100</u>
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>30,247,938</u>	<u>2,923,675</u>
<b>TOTAL LIABILITIES</b>	<u>32,908,007</u>	<u>19,265,409</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Rate Stabilization Reserve	1,713,177	1,310,917
Contribution in Aid of Construction, Net of Amortization	<u>6,089</u>	<u>6,409</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>1,719,266</u>	<u>1,317,326</u>
<b>NET POSITION:</b>		
Net Investment in Capital Assets, Net of Related Debt	6,520,835	7,776,855
Restricted for Depreciation	2,951,083	1,742,479
Restricted for Debt Service	1,161,992	852,762
Restricted for Grant Program	4,140	0
Unrestricted Net Position	<u>6,577,065</u>	<u>4,747,353</u>
<b>TOTAL NET POSITION</b>	<u>17,215,115</u>	<u>15,119,449</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 51,842,388</u>	<u>\$ 35,702,184</u>

See Accompanying Notes to Financial Statements

BELMONT LIGHT  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

OPERATING FUND

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES:		
Sales of Electricity	\$ 23,582,379	\$ 21,267,804
Other Operating Revenues	<u>221,420</u>	<u>347,849</u>
 TOTAL OPERATING REVENUES	 <u>23,803,799</u>	 <u>21,615,653</u>
 OPERATING EXPENSES:		
Operations and Maintenance	19,576,084	18,573,301
Depreciation, Net of Amortization	<u>1,281,852</u>	<u>1,263,827</u>
 TOTAL OPERATING EXPENSES	 <u>20,857,936</u>	 <u>19,837,128</u>
 OPERATING INCOME	 <u>2,945,863</u>	 <u>1,778,525</u>
 NONOPERATING REVENUES (EXPENSES):		
Investment Income	76,476	6,376
Interest Expense	(9)	(409)
Bond Issuance Costs	(280,804)	0
Grant Income	60,063	0
Grant Expenses	<u>(55,923)</u>	<u>0</u>
 TOTAL NONOPERATING REVENUES (EXPENSES)	 <u>(200,197)</u>	 <u>5,967</u>
 Income Before Contributions and Transfers	 2,745,666	 1,784,492
 NET POSITION - JANUARY 1	 15,119,449	 13,971,682
Transfers In - Contribution in Aid of Construction	0	13,275
Transfers Out - Payment in Lieu of Taxes	<u>(650,000)</u>	<u>(650,000)</u>
 NET POSITION - DECEMBER 31	 <u>\$ 17,215,115</u>	 <u>\$ 15,119,449</u>

See Accompanying Notes to Financial Statements

BELMONT LIGHT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

OPERATING FUND

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received from Customers	\$ 24,300,310	\$ 21,855,531
Cash Paid to Suppliers	(15,259,664)	(14,319,074)
Cash Paid to Employees	(2,632,109)	(2,504,505)
Cash Paid for Benefits	(1,535,900)	(1,629,994)
Payment in Lieu of Taxes	(1,300,000)	0
	<u>3,572,637</u>	<u>3,401,958</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Grant Income	60,063	0
Grant Expense	(55,923)	0
Interest Expense	(9)	(409)
	<u>4,131</u>	<u>(409)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Bond Proceeds	12,100,000	0
Customer Advances for Construction	0	6,409
Additions to Plant Assets	(569,922)	(706,015)
Additions to Construction in Progress	(6,496,394)	(2,935,766)
	<u>5,033,684</u>	<u>(3,635,372)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment Income	453	5,290
Net Transfer from Operations	(1,608,597)	(562,813)
	<u>(1,608,144)</u>	<u>(557,523)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>7,002,308</b>	<b>(791,346)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<b><u>12,291,554</u></b>	<b><u>13,082,900</u></b>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<b><u>\$ 19,293,862</u></b>	<b><u>\$ 12,291,554</u></b>

See Accompanying Notes to Financial Statements

BELMONT LIGHT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

OPERATING FUND

	2014	2013
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 2,945,863	\$ 1,778,525
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	1,281,852	1,263,827
Allowance for Doubtful Accounts	(15,840)	(21,000)
Rate Stabilization Reserve	402,260	0
Payment in Lieu of Taxes	(650,000)	0
(Increase) Decrease in Assets:		
Accounts Receivable - Customers, Net	158,394	210,003
Accounts Receivable - Other	(47,233)	35,380
Materials and Supplies	(7,864)	(59,450)
Prepaid Insurance	(11,828)	(45,061)
Purchased Power Prepayments	(25,463)	(143)
Increase (Decrease) in Liabilities:		
Accounts Payable	(218,190)	(281,505)
Customer Deposits	(1,070)	15,495
Accrued Expenses	(645,312)	(16,298)
Other Postemployment Benefits Obligation	407,068	522,185
Net Cash Provided by Operating Activities	\$ 3,572,637	\$ 3,401,958

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

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

	2014	2013
Operating Cash	\$ 7,517,359	\$ 7,165,265
General Bond Fund	11,644,198	4,992,714
Customer Deposits	132,305	133,575
	\$ 19,293,862	\$ 12,291,554

See Accompanying Notes to Financial Statements

BELMONT LIGHT  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2014 AND 2013

OPEB TRUST FUND

ASSETS

	2014	2013
Funds on Deposit with Town Treasurer Cash and Cash Equivalents	\$ 181,457	\$ 162,231

NET POSITION

NET POSITION - Restricted	\$ 181,457	\$ 162,231
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BELMONT LIGHT  
STATEMENTS OF CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

OPEB TRUST FUND

	2014	2013
ADDITIONS:		
Contribution:		
Employer	\$ 11,920	\$ 11,952
Interest Earned	7,306	10,287
CHANGES IN NET POSITION	19,226	22,239
NET POSITION - JANUARY 1	162,231	139,992
NET POSITION - DECEMBER 31	\$ 181,457	\$ 162,231

See Accompanying Notes to Financial Statements

BELMONT LIGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

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 2014 and 2013 was 5%.

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

Revenues

Revenues from sale of electricity are recorded on the basis of bills rendered from monthly readings taken on a cycle basis. The revenues are based on rates established by Belmont Light which are applied to customers' consumption of electricity.

Belmont Light's rates contain an adjustable component pursuant to which increased power costs (power costs in excess of amounts recovered through base rates) are billable to customers.

Operating revenue includes revenues and expenses related to the continuing operations of Belmont Light. Principal operating revenues are charges to customers for sales of electricity or services. 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.

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.

BELMONT LIGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

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

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.

Reclassification

Certain prior year amounts have been reclassified to conform to the 2014 presentation.

Net Position

Belmont Light's net position is categorized as net investment in capital assets, restricted for depreciation, restricted for debt service, restricted for grant service and unrestricted.

Accounts Receivable

Belmont Light carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, Belmont Light evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions.

Belmont Light's policy on collections is to consider any receivable past due if payments have not been received within 45 days of receipt of invoice. Interest is charged on all accounts when a payment has not been received within 46 days. A delinquent notice is sent for past due amounts. If payment is not received within 10 days a second request is made and the customer is given another 5 days to pay. If the delinquent amount is still not paid a letter is hand delivered and the customer's meter is shutoff.

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.

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.

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.

BELMONT LIGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

NOTE 2 – FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS:

GASB Statement 68, *Accounting and Financial Reporting for Pensions*, is required to be implemented for periods beginning after June 15, 2014. Belmont Light is currently evaluating the effect this pronouncement will have on the basic financial statements.

NOTE 3 - ACCOUNTS RECEIVABLE - CUSTOMERS, NET:

	2014	2013
Accounts Receivables – Customers	\$ 1,403,872	\$ 1,562,266
Allowance for Doubtful Accounts	(140,387)	(156,227)
Net Accounts Receivable - Customers	\$ 1,263,485	\$ 1,406,039

NOTE 4 - 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 Rate Stabilization Fund balance at December 31, 2014 and 2013 was \$1,713,177 and \$1,310,917, 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. Accordingly, it is not practical to disclose the credit risk of such funds.

NOTE 5 - 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, 2014 and 2013 was \$2,951,083 and \$1,742,479, respectively.

NOTE 6 - CONCENTRATION OF CREDIT RISK:

Belmont Light’s deposits with the Town Treasurer are commingled and invested with deposits from other Town funds. Accordingly 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). The amount of insurance coverage for Belmont Light deposits is not determinable because the limits of insurance are computed on a Town-Wide basis.

BELMONT LIGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

NOTE 7 - UNBILLED REVENUE:

No recognition is given to the amount of sales to customers which are unbilled at the end of the accounting period.

NOTE 8 - UTILITY PLANT ASSETS:

	Balance January 1, 2014	Increases	Decreases	Balance December 31, 2014
Capital Assets Not Being Depreciated:				
Land	\$ 9,349	\$ 0	\$ 0	\$ 9,349
Construction in Progress	10,325,234	6,713,011	(1,129,687)	15,908,558
<b>Total Capital Assets Not Being Depreciated</b>	<b>10,334,583</b>	<b>6,713,011</b>	<b>(1,129,687)</b>	<b>15,917,907</b>
Capital Assets Being Depreciated:				
Distribution Plant	16,952,432	1,463,197	(246,297)	18,169,332
General Plant	8,691,014	236,412	0	8,927,426
<b>Total Capital Assets Being Depreciated</b>	<b>25,643,446</b>	<b>1,699,609</b>	<b>(246,297)</b>	<b>27,096,758</b>
Less Accumulated Depreciation For:				
Distribution Plant	(14,057,262)	(847,621)	246,297	(14,658,586)
General Plant	(5,136,626)	(434,551)	0	(5,571,177)
<b>Total Accumulated Depreciation</b>	<b>(19,193,888)</b>	<b>(1,282,172)</b>	<b>246,297</b>	<b>(20,229,763)</b>
<b>Capital Assets Being Depreciated, Net</b>	<b>6,449,558</b>	<b>417,437</b>	<b>0</b>	<b>6,866,995</b>
<b>Utility Plant Assets, Net</b>	<b>\$ 16,784,141</b>	<b>\$ 7,130,448</b>	<b>\$ (1,129,687)</b>	<b>\$ 22,784,902</b>

NOTE 9 - CONSTRUCTION IN PROGRESS:

Belmont Light is in the process of building a new substation to upgrade their transmission service to 115kv. In 2014 and 2013, Belmont Light invested \$6,137,833 and \$2,597,146, respectively, in the 115kv transmission service upgrade. The total amount invested in the 115kv Project as of December 31, 2014 and 2013 was \$15,805,104 and \$9,667,271, respectively.

In 2011, Belmont Light began the L370 Smart Meter Project investing \$90,630 for the implementation of smart meters. In 2014 and 2013, Belmont Light invested an additional \$510,851 and \$337,740, respectively, in the L370 Smart Meter Project. The total amount invested in the L370 Smart Meter Project as of December 31, 2014 and 2013 was \$1,129,687 and \$618,836, respectively. As of December 31, 2014, the smart meters installed have been transferred to utility plant in service.

As of December 31, 2014 and 2013 Belmont Light has invested \$64,327 and \$39,127, respectively, in the Trapelo Road Project to widen Trapelo Road, which is reimbursable from the State. The total amount invested in the Trapelo Road Project as of December 31, 2014 and 2013 was \$103,454 and \$39,127, respectively.

BELMONT LIGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

NOTE 10 - 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 maturing April 25, 2013. The BAN was refinanced and matured on April 25, 2014. At December 31, 2013 the outstanding amount was \$14,000,000.

On April 25, 2014 the BAN was converted to permanent bond financing with an additional \$12,100,000 borrowed. The \$26,100,000 general obligation bond is to be 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 bond. The bonds mature April 15, 2032 and April 15, 2034, respectively.

At December 31, 2014 the outstanding amount was \$26,100,000. Capitalized interest expense relating to this bond amounted to \$681,323 and \$25,053 as of December 31, 2014 and 2013, respectively.

Future Maturities of the bonds are as follows:

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
For The Year Ending December 31,	2015	990,000	965,175	1,955,175
	2016	1,005,000	925,275	1,930,275
	2017	1,045,000	889,500	1,934,500
	2018	1,080,000	852,225	1,932,225
	2019	1,120,000	808,225	1,928,225
	2020-2024	6,320,000	3,309,700	9,629,700
	2025-2029	7,630,000	2,006,256	9,636,256
	2030-2034	<u>6,910,000</u>	<u>551,181</u>	<u>7,461,181</u>
		26,100,000	<u>10,307,537</u>	<u>36,407,537</u>
Plus: Unamortized Bond Premium		1,808,265		
Less: Current Maturities of Long Term Debt		<u>990,000</u>		
		<u>\$ 26,918,265</u>		

NOTE 11 – ACCRUED EXPENSES

Accrued expenses as of December 31, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Sales Tax	\$ 14,244	\$ 12,896
Interest on Bonds	208,360	16,523
Accrued Payroll	77,517	67,905
Compensated Absences	177,552	183,824
Payment in Lieu of Taxes	<u>0</u>	<u>650,000</u>
Total Accrued Expenses	<u>\$ 477,673</u>	<u>\$ 931,148</u>

BELMONT LIGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

NOTE 12 - INVESTMENT CUSTODIAL CREDIT RISK:

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. Of Belmont Light's investments in Certificate of Deposits, Belmont Light has no custodial risk exposure. Belmont Light does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Interest Rate Risk

The Plant invests in term securities out to a maximum of five years to help limit the amount of exposure to fair value losses.

As of December 31, 2014 and 2013, Belmont Light had the following investments and maturities:

	Ratings As of Year End	2014 Fair Value	2014 Under 1 Year	2014 1-5 Years	2013 Fair Value
Term Securities					
Certificates of Deposit	Exempt	\$ 2,750,452	\$ 490,262	\$ 2,260,190	\$ 0
Other Securities					
Cash Balance		813,838			0
Money Market Funds		<u>2,277,663</u>			<u>2,657,463</u>
Total Investments		<u>\$ 5,841,953</u>			<u>\$ 2,657,463</u>

As of December 31, 2014 there were no investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represent 5% or more of total investments.

The following accounts were considered to be investments as of December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Depreciation Fund	\$ 2,951,083	\$ 1,742,479
Rate Stabilization Fund	1,314,433	914,984
Debt Sinking Reserve Fund – Premium	<u>1,576,437</u>	<u>0</u>
	<u>\$ 5,841,953</u>	<u>\$ 2,657,463</u>

NOTE 13 - 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.

BELMONT LIGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

NOTE 14 – NET INVESTMENT IN CAPITAL ASSETS:

	2014	2013
Cost of Capital Assets Acquired	\$ 43,014,665	\$ 35,978,029
Less: Accumulated Depreciation	20,229,763	19,193,888
Less: Outstanding Debt Related to Capital Assets	16,264,067	9,007,286
Net Investment in Capital Assets	\$ 6,520,835	\$ 7,776,855

NOTE 15 – PURCHASE POWER TRANSMISSION ADJUSTMENT:

Belmont Light’s rates include a Purchased Power Transmission Adjustment (PPTA) which allows for an adjustment of rates charged to customers in order to recover all changes in capacity and fuel costs from stipulated base costs. The PPTA provides for monthly reconciliations of total power costs billed with actual cost of power incurred. Any excess or deficiency in amounts collected as compared to costs incurred is a deferred inflow/outflow of resources and either credited or billed to customers over subsequent periods.

NOTE 16 - COMMITMENTS AND CONTINGENCIES:

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 to the year 2026.

BMLD’s annual energy costs related to its long-term power purchase commitments as of 2014 are approximately as follows:

For Years Ending December 31,	2015	\$	6,054,257
	2016		3,568,109
	2017		1,386,697
	2018		1,047,930
	2019		383,948
	2020-2024		1,920,410
	2025-2026		753,166
		\$	15,114,517

NOTE 17 - RELATED PARTY TRANSACTIONS:

In 2014 and 2013, Belmont Light received payments from the town in the amount of \$1,414,871 and \$1,276,004, respectively, and made payments to the town in the amount of \$2,535,377 and \$1,196,373, respectively. At December 31, 2014 and 2013, the outstanding receivable balance was \$64,215 and \$29,073, respectively. The payment in lieu of taxes was not paid in 2013 and was included in accrued expenses as described in Note 11, therefore two in lieu of tax payments were made in 2014.

BELMONT LIGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

NOTE 18 - PAYMENT IN LIEU OF TAXES:

The Municipal Light Board, which is also the Board of Selectmen, is responsible for determining the amount that Belmont Light pays to the Town in lieu of taxes. The payment in lieu of taxes was \$650,000 for the years ended December 31, 2014 and 2013.

NOTE 19 - PENSION PLAN:

Belmont Light, through the Town of Belmont, is a member of the Belmont Contributory Retirement System, which, in turn, is a member of the Massachusetts Contributory Retirement System, which is governed by M.G.L. c.32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

The plan is a contributory defined benefit plan for all county employees and employees of participating towns and districts except those employees who are covered by teacher's retirement board.

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. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

A \$30,000 salary cap, upon which members' benefits were calculated, was removed by the Belmont Contributory Retirement System effective January 1, 1991. 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. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total contributions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

Active members contribute either 5, 7, 8 or 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. These contributions are deposited in the Annuity Savings Fund and earn interest at a rate determined by The Public Employees' Retirement Administration's (PERA's) Actuary. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Cost-of-living adjustments (COLA) for retirees prior to 1997 were borne by the state. All COLA after that have been borne by the local retirement system.

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. In addition, depending upon

BELMONT LIGHT  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2014 AND 2013

NOTE 19 - PENSION PLAN (Continued):

the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those contributions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Belmont Light's contribution to the Retirement Plan is determined by an allocation of the total Town contribution, which is based upon projected benefits to be paid during the applicable year, plus amortization of the unfunded actuarial accrued liability. Belmont Light then reimburses the Town for Belmont Light's share of the assessment.

The amount of pension expense charged to operations for the years ended December 31, 2014, 2013 and 2012 was approximately \$631,773, \$601,939, and \$575,504, respectively.

NOTE 20 - OTHER POSTEMPLOYMENT BENEFITS (OPEB):

The Plan's separately issued financial statements can be obtained by contacting the Town of Belmont Retirement Office at 455 Concord Avenue, Belmont, Massachusetts 02478.

December 31, 2008 was the initial year that Belmont Light implemented GASB Statement 45, *Accounting for Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. As allowed by GASB 45, Belmont Light has established the net OPEB obligation at zero at the beginning of the transition year and has applied the measurement recognition requirements of GASB 45 on a prospective basis.

*Plan Description.* Belmont Light participates in the town sponsored single employer defined benefit health plan. Belmont Light provides certain health care and life insurance benefits for eligible retirees and their spouses. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan.

As of July 1, 2014 Belmont Light's membership consisted of the following:

Current retirees beneficiaries	21
Current active members	29
Total	50

*Funding Policy.* Belmont Light recognizes the cost of providing these benefits, in accordance with government accounting standards, on a pay-as-you-go basis, by expensing the annual insurance premiums charged Belmont Light by the Town, which aggregated approximately \$484,968 and \$481,177 for the years ended December 31, 2014 and 2013, respectively. The cost of providing these benefits for retirees is about 50% of the premium. Retired plan members and beneficiaries currently receiving benefits are required to contribute 20% for HMO and 50% for PPO plans (that are not participating in Medicare plans) and 50% for the Medicare Enhanced Supplement and the First Seniority Plans of the cost of benefits provided depending on the plan they choose. A surviving spouse may continue coverage for lifetime by paying 50% of the medical plan premium rate. Retirees are required to pay \$28 annually for a \$2,000 life insurance benefit, if elected.

BELMONT LIGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

NOTE 20 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued):

*Annual OPEB Costs.* Belmont Light's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following shows the components of Belmont Light's annual OPEB cost for the years ending December 31, 2014 and 2013, the amount actually contributed to the plan, and changes in Belmont Light's net OPEB obligation based on an actuarial valuation as of July 1, 2014:

	<u>2014</u>	<u>2013</u>
Normal cost	\$ 169,753	\$ 230,169
Amortization of unfunded actuarial accrued liability	424,669	498,782
Interest	<u>26,749</u>	<u>32,803</u>
Annual required contribution	621,171	761,754
Interest on net OPEB obligation	126,650	102,056
Adjustment to annual required contribution	(172,771)	(139,221)
Expected benefit payments	<u>(180,398)</u>	<u>(190,452)</u>
 Increase in net OPEB obligation	 394,652	 534,137
 Contributions to Trust Fund	 (11,920)	 (11,952)
 Net OPEB obligation – Beginning of Year	 2,790,100	 2,267,915
Change in Actuarial Assumptions	<u>24,336</u>	<u>0</u>
 Net OPEB obligation – End of Year	 <u>\$ 3,197,168</u>	 <u>\$ 2,790,100</u>

Belmont Light' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Year ended</u>	<u>Annual OPEB costs</u>	<u>Percentage of OPEB cost contributed</u>	<u>Net OPEB obligation</u>
2012	\$ 761,754	25%	\$ 2,267,915
2013	\$ 761,754	27%	\$ 2,790,100
2014	\$ 669,843	29%	\$ 3,197,168

*Funded Status and Funding Progress.* Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

BELMONT LIGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

NOTE 20 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued):

The funded status is as follows:

Actuarial accrued liability (AAL)	\$	7,393,170
Value of plan assets		(181,457)
Unfunded actuarial accrued liability	\$	7,211,713
Funded ratio (actuarial value of plan assets/AAL)		2.45%
Covered payroll (active plan members)	\$	2,632,109
UAAL as a percentage of covered payroll		273.9%

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the department and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2014 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.5% investment rate of return and an annual healthcare cost trend rate of 8.1% initially, reduced by decrements to an ultimate rate of 5% after 5 years. The health care cost trend rate differs between the master medical and other healthcare plans. The actuarial value of assets was determined using the market value of investments. Belmont Light's unfunded actuarial accrued liability is being amortized assuming a 30 year level dollar basis.

NOTE 21 – DOER GRANT:

Belmont Light was awarded a grant of \$240,250 to fund two energy efficiency programs and a municipal energy efficiency project from the Massachusetts Department of Energy Resources (DOER) Green Communities Division. The two residential programs were launched on October 15, 2014. Sagewell, Inc. has been contracted to serve as the program administrator for both residential programs. The municipal project will provide funds for LED streetlights in the Town of Belmont. As of December 31, 2014 the department has received \$60,063 of grant funding. Grant expenditures as of December 31, 2014 were \$55,923.

BELMONT LIGHT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 DECEMBER 31, 2014 AND 2013

**Schedule of Funding Progress - Other Postemployment Benefits:**

Actuarial Valuation Date	For The Year Ending	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Payroll
7/1/2008	12/31/2008	\$ -	\$ 8,150,711	\$ 8,150,711	0.00%	\$ 1,981,500	411.34%
7/1/2008	12/31/2009	\$ -	\$ 8,150,711	\$ 8,150,711	0.00%	\$ 1,981,500	411.34%
7/1/2010	12/31/2010	\$ 138,455	\$ 8,862,929	\$ 8,724,474	1.56%	\$ 2,268,090	384.66%
7/1/2010	12/31/2011	\$ 138,814	\$ 8,862,929	\$ 8,724,115	1.57%	\$ 2,219,267	393.11%
7/1/2012	12/31/2012	\$ 139,992	\$ 8,627,779	\$ 8,487,787	1.62%	\$ 2,325,901	364.92%
7/1/2012	12/31/2013	\$ 162,231	\$ 8,627,779	\$ 8,465,548	1.88%	\$ 2,504,505	338.01%
7/1/2014	12/31/2014	\$ 181,457	\$ 7,393,170	\$ 7,211,713	2.45%	\$ 2,632,109	273.99%

**Schedule of Actuarial Methods and Assumptions**

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.

Actuarial Methods

Valuation Date	7/1/2014
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level dollar amount over thirty (30) years
Remaining Amortization Period	23 years

Actuarial Assumptions

Assumed Retirement Age	55
Discount Rate:	4.50%
Projected Salary Increase	3%
Health Care Cost Trend Rate	Initially 8.1%, reduced by decrements of 1% per year over 5 years; ultimate rate of 5%

BELMONT LIGHT  
SCHEDULES OF SALES OF ELECTRICITY  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
SALES OF ELECTRICITY:		
Residential	\$ 13,972,546	\$ 12,827,223
Commercial	3,855,008	3,412,948
Industrial	4,374,758	3,808,513
Municipal	1,025,104	899,240
Private Lighting	56,853	53,614
Street Lights	298,110	266,266
TOTAL SALES OF ELECTRICITY	\$ 23,582,379	\$ 21,267,804

See Independent Auditors' Report

BELMONT LIGHT  
SCHEDULES OF OPERATIONS AND MAINTENANCE EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
<b>POWER PRODUCTION EXPENSES:</b>		
Purchased Power Expense	\$ 10,410,545	\$ 9,038,857
Transmission Expense	3,336,648	3,349,303
Total Power Production Expenses	13,747,193	12,388,160
<b>DISTRIBUTION EXPENSES:</b>		
Miscellaneous Distribution Expenses	102,781	99,325
Line Expenses	1,170,350	1,282,654
Operation Supplies and Expenses	527,559	413,247
Maintenance of Meters	119,017	151,350
Customer Installations Expense	69,356	93,614
Stores Expense	57,358	61,087
Total Distribution Expenses	2,046,421	2,101,277
<b>CUSTOMER ACCOUNT EXPENSES:</b>		
Customer Accounting and Collection Expense	400,115	383,461
Meter Reading Expense	89,315	85,517
Uncollectible Accounts	11,276	48,510
Total Customer Accounts	500,706	517,488
<b>GENERAL AND ADMINISTRATIVE EXPENSES:</b>		
Administrative and General Salaries	520,157	495,468
Office Supplies and Expenses	226,391	227,219
Outside Services Employed	400,413	633,100
Insurance, Injuries and Damages	121,999	108,981
Employees' Pension and Benefits	1,535,900	1,629,994
Dues, Meetings, and Other General Expenses	37,895	36,776
Transportation Expenses	94,972	79,988
Marketing Expenses	75,853	75,588
Total General and Administrative Expenses	3,013,580	3,287,114
<b>MAINTENANCE EXPENSES:</b>		
Maintenance - Other	268,184	279,262
<b>TOTAL OPERATIONS AND MAINTENANCE EXPENSES</b>	<b>\$ 19,576,084</b>	<b>\$ 18,573,301</b>

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