BELMONT LIGHT

Financial Statements

December 31, 2017 and 2016

BELMONT LIGHT
TABLE OF CONTENTS
DECEMBER 31, 2017 AND 2016

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

INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
Belmont Light
Belmont, Massachusetts 02478

We have audited the accompanying financial statements of Belmont Light, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise Belmont Light's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

324 Grove Street Worcester MA, 01605 • 54 East Main Street Webster MA, 01570
Tel: 508.757.5957 • Fax: 1.508.422.0883 • Email: admin@gsamycpa.com • Web: www.gsamycpa.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Belmont Light as of December 31, 2017 and 2016, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only Belmont Light and do not purport to, and do not present fairly the financial position of the Town of Belmont, Massachusetts, as of December 31, 2017 and 2016, and the changes in financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Other Postemployment Benefits information, and Net Pension Liability information on pages three through eleven and pages 38 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information presented on pages 43 and 44 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Goulet, Salvidio & Associates, P.C.

Goulet, Salvidio & Associates, P.C.

Worcester, Massachusetts
May 9, 2018

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, 2017 and 2016.

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, 2017, it shows our net position increased 13.5% compared to the year ended December 31, 2016. 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, 2017 and 2016 was $2,802,203 and $2,444,553, 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

	2017	2016
Current Assets	$ 21,387,060	$ 55,114,843
Noncurrent Assets	37,077,013	34,467,447
Total Assets	58,464,073	89,582,290
Deferred Outflows of Resources	1,501,779	1,267,532
Total Assets and Deferred Outflows of Resources	$ 59,965,852	$ 90,849,822
Current Liabilities	$ 3,372,090	$ 36,250,874
Noncurrent Liabilities	34,529,623	35,359,481
Total Liabilities	37,901,713	71,610,355
Deferred Inflows of Resources	$ 3,974,714	$ 3,302,245

Summary of Net Position (Continued)

	2017	2016
Net Position:		
Net Investment in Capital Assets, Net of Related Debt	$ 12,667,684	$ (30,957,743)
Restricted for Depreciation	8,567,511	8,125,599
Restricted for Debt Service and Repayment of Project Advances	0	45,065,209
Unrestricted Net Position	(3,145,770)	(6,295,843)
Total Net Position	18,089,425	15,937,222
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 59,965,852	$ 90,849,822

Summary of Changes in Net Position

	2017	2016
Operating Revenues	$ 24,970,965	$ 23,752,431
Operating Expenses	21,831,948	21,519,360
Operating Income	3,139,017	2,233,071
Nonoperating Revenues (Expenses)	(336,814)	211,482
Income Before Contributions and Transfers	2,802,203	2,444,553
Beginning Net Position	15,937,222	14,142,669
Transfers Out – Payment in Lieu of Taxes	(650,000)	(650,000)
Ending Net Position	$ 18,089,425	$ 15,937,222

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, 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 2017.

- Revenues from the sale of electricity increased by 4.3%.
- 122,071,901 kWh of electricity to 11,455 customer accounts.
- Highest system peak demand of 33,856 kWh and occurred on June 12th.
- Top 20 kWh users generate ~20% of Belmont Light revenue.

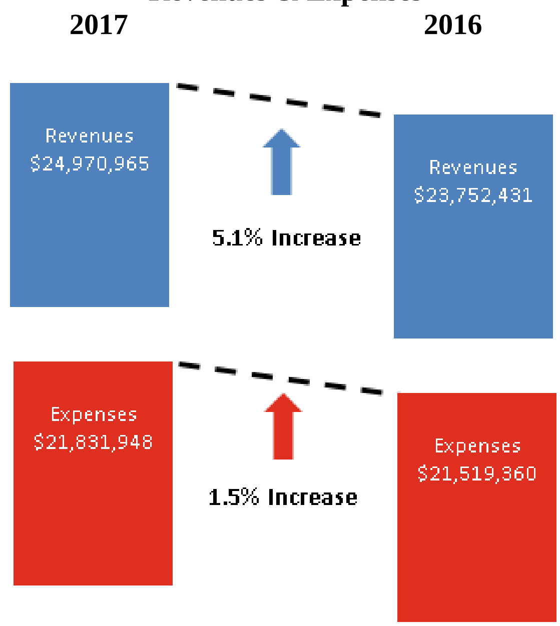
Operating Overview

2017 Revenue

Revenue from the sale of electricity increased by $996,962 due to an increase in kWh sold of 860,203 compared to 2016.

Other operating income increased by $221,572, due to increased quantity of insurance claims processed in 2017.

Revenues & Expenses



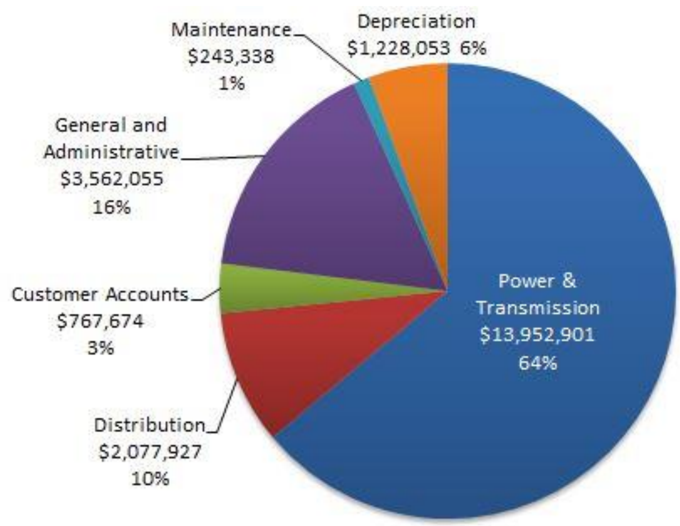
2017 Expenses vs. 2016 Expenses

Power costs reflect a $41,478 increase due to transmission line cut over and reduction of transmission costs starting October 2017.

Distribution expenses decreased by $105,785 (5%) due to capitalization of internal labor related to the substation project.

Customer Accounts costs increased by $65,901 (9%) due to customer collections and changes/adjustment in liens accounting.

General & Administrative expenses increased by $371,171 (12%) due to increase of Admin Salaries (GM separation related expenses), Pension and Benefits, Insurance (new substation), Outside Services (IT & Legal services) and Marketing (EV programs) expenses.



Operating Overview (Continued)
In the course of our accounting activities for Q4 2017 and year end, Belmont Light personnel recognized an issue with the calculation of our purchased power costs for late 2017 and early 2018. After careful investigation, we determined that the cause of the problem was errant readings by Eversource on their newly installed meter for the 115 kV transmission line. The meter issue has been fixed.

Purchased Power expenses of $369,000 were accrued in 2017. No further significant impact is expected.

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 is $23.7 million ($19 million for Distribution Plant, $2 million for General Plant and $2.7 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 on April 15, 2032 and April 15, 2034, respectively.

On May 7, 2015, the Town issued a BAN in the aggregate amount of $26,461,606. Proceeds were used to further finance the 115kv Transmission service upgrade project. Bearing interest at 0.7% the principal balance matured May 4, 2016. The BAN included a bond premium of $61,606 which was amortized over the life of the BAN. Accrued interest for Belmont Light’s share of this BAN amounted to $184,984, which has been capitalized. The BAN was refinanced as a General Obligation Taxable BAN in May of 2016. The refinanced BAN included an additional $1,200,000 of principal for a total issue of $27,600,000 and premium of $45,452. Bearing interest at 1.07% the principal balance matured May 5, 2017. Accrued interest for Belmont Light’s share of this BAN amounted to $227,699 as of December 31, 2016, which has been capitalized.

On May 5, 2017, the General Obligation Taxable BAN was paid back. The amount paid back was $27,941,549 and included principal of $27,600,000 and interest of $341,549.

Operations
<u>Blair Pond Electric Resupply Project</u>
In August, Belmont Light crews executed a series of planned power outages of Belmont’s three existing substations in order to cut over Belmont’s electric delivery system from older Eversource lines to the current system fed by a new 115kV transmission line and the new Blair Pond Substation. The successful completion of the four separate “cutovers” represented the final step needed to bring Belmont’s next generation supply of electricity on line.

Belmont’s new system of delivering electricity to Belmont residents, businesses and municipal facilities represents a critically needed upgrade to the prior delivery system which had reached maximum capacity and suffered from significant power quality issues. The new electricity supply system through the new 115kV transmission line and Blair Pond Substation has more than tripled Belmont’s electricity delivery capacity from the former maxed out peak of 30 MW, providing more than enough capacity and significantly higher power quality for consumers for generations to come.

Operations (Continued)

Blair Pond Electric Resupply Project (continued)

The switch over to the new electric supply system represents the culmination of an extremely complex development project that was originally approved by Belmont Town Meeting in 2012, and was completed over five years of planning, design, location and route identification, property negotiations and purchases, local, state and federal regulatory processes, and a complicated construction phase.

Master Plan/Decommissioning Project

With Belmont's electric supply problems significantly and successfully addressed, the focus will now turn to a ten-year Master Plan to retire Belmont's three older and smaller substations while updating an aging and less cost-effective distribution infrastructure. Planning has already begun for readying the older substations for retirement and electrical work is expected to kick-off in 2018.

Infrastructure & Development Projects

Belmont Light's Operations team supported a number of important infrastructure and building projects in Town this past year. Along with completing all site work on the Acorn Park and Saint James Court developments, the Operations team also performed work related to the new Cushing Village development. To date, Belmont Light crews have installed approximately 8,000 feet of underground cable, as well as other equipment at the site. In addition, we have continued to provide support to the Oakmont Lane development project.

An important step in monitoring and collecting data throughout our entire system, Belmont Light installed and commissioned a new supervisory control and data acquisition (SCADA) system from Advanced Control Systems in 2017. The SCADA system provides remote access to a variety of Belmont electric system control modules. We supplied new underground services to Purecoat North (including cable and a new pad-mounted transformer) and Verizon in Belmont Center. We also installed several underground switches throughout our system, which increased our system flexibility and reliability.

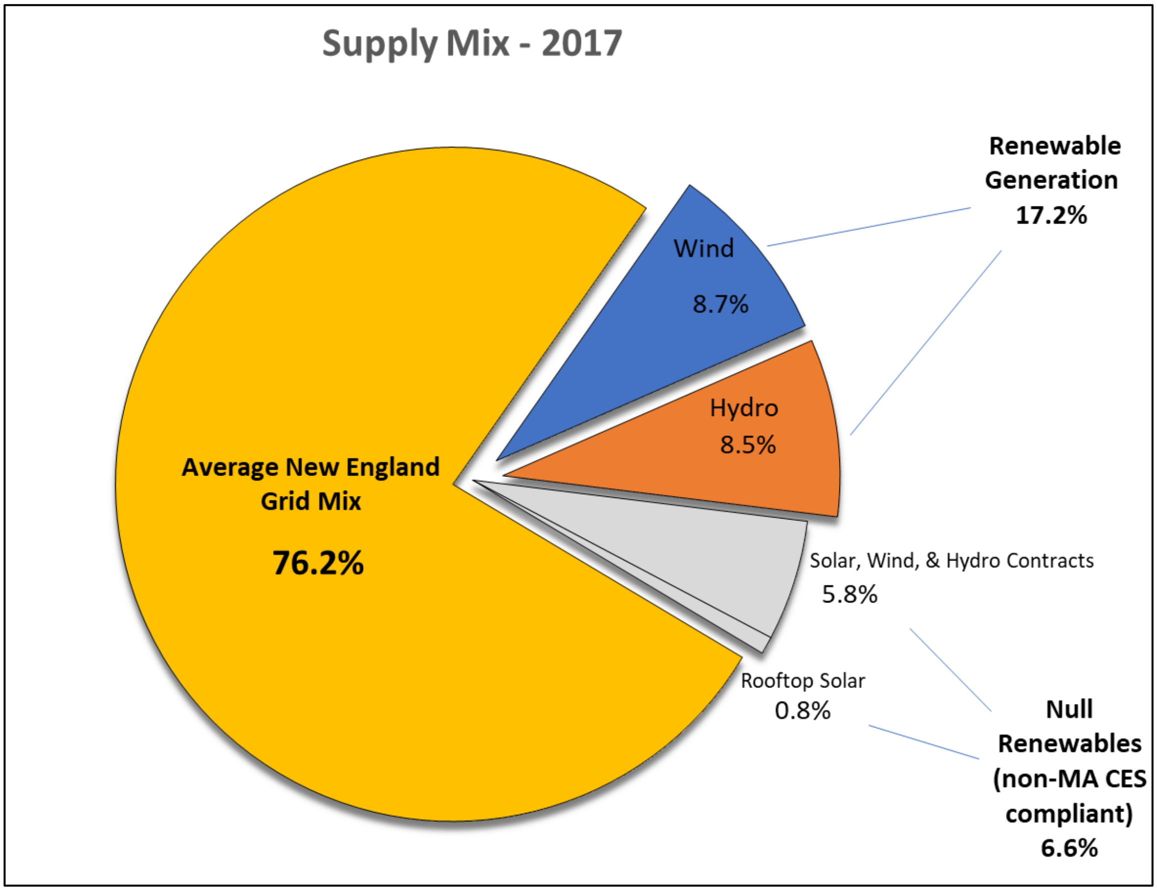
Belmont Light completed work on the Chenery Middle School modular building, including the installation of underground cable and a pad-mounted transformer, and began similar work on the Burbank Elementary School modular building. We also designed a service upgrade for the new Day School Barn project.

Power Supply

Belmont Light maintains a diversified electricity supply portfolio in the Independent System Operator–New England (ISO-NE) marketplace. The pricing of this electricity supply to customers has been stable. Belmont Light has a Power Supply Policy that was reviewed through discussions in 2017 and then formally adopted in March 2018. Through the policy, Belmont Light has committed to developing a future managed power supply portfolio that provides Belmont customers with reliable electric service at the lowest possible cost consistent with the Town's Climate Action Plan that obligates all sectors, in the aggregate, including the electricity sector to reduce its carbon dioxide emissions by 80 percent by 2050. In partial furtherance of this goal, the Power Supply Policy states that, consistent with a modest rate impact, Belmont Light will at the least meet a minimum percentage of energy sales with clean generation attributes, as set forth by the Massachusetts Department of Environmental Protection (DEP) at 310 CMR 7.75(4).

2017 Energy Resources Mix

The pie chart below shows Belmont Light's energy supply by fuel type for 2017. Belmont Light obtained 76.2% of its power supply from system power contracts or real-time spot market purchases not tied to any specific generating source. The other 23.8% was contracted from specific generators, including renewable generators, as further specified below.



On average, natural gas and nuclear resources are the most abundant generation source in New England, together accounting for almost 79% of generation in the region in 2017. Approximately 19% of New England's power supply comes from hydro, wind, solar, and refuse resources. This percentage is set to increase steadily over the coming years as Massachusetts aims to achieve its emissions reduction goals. A decreasing amount of power in New England (2.3% in 2017) comes from coal and oil generators.

Direct Contracts & Renewables

As defined by the U.S. Environmental Protection Agency, a renewable energy certificate (REC) is "a market-based instrument that represents the property rights to the environmental, social and other non-power attributes of renewable electricity generation. RECs are issued when one megawatt-hour (MWh) of electricity is generated and delivered to the electricity grid from a renewable energy resource." The owner of the REC can claim to have purchased renewable energy. Retirement occurs when a REC is not sold on the market, but is used by its owner to make such a claim.

Anticipating the 2018 Power Supply Policy, Belmont Light made retiring RECs a priority in 2017. To that end, RECs associated with hydropower (8.5% of the supply portfolio) and RECs associated with wind generation (8.7% of the supply portfolio), for a total of 17.2% of the supply portfolio, were retired.

Direct Contracts & Renewables (continued)

Through contracts, Belmont's supply portfolio included another 6.6% associated with solar, hydro and wind power. However, Belmont Light did not retire the RECs associated with these renewables and thus did not count that 6.6% toward the percentage of sales as described in the aforementioned Massachusetts DEP regulations. We call this type of generation "Null Renewables". (This same term can be applied to the 19% of generation coming from hydro, wind, solar, and refuse in 2017's average New England grid mix.) By committing to buy power from large scale New England-based wind and solar developments, Belmont Light helps ensure their continued operation. In addition to the contracted-for renewables in Belmont Light's power supply portfolio, Belmont residents and businesses generated a modest amount of null renewables in 2017 through the operation of rooftop solar installations.

Residents continued to contribute to our renewable energy portfolio through our 2017 Green Choice Program funding the retirement of 5272 RECs, representing about 4.3% of Belmont's electricity for the year.

Demand-Side Management & Energy Conservation

Demand-side management highlights for 2017 include:

- A continuation of the Heat Pump Grant Program that encourages the installation of highly efficient heating and cooling systems through generous incentives. Belmont Light funded 19 new heat pumps with $16,700. Like EVs, heat pumps help Belmont Light and the Town achieve both environmental and cost-savings goals, and will stay a program focus for 2018.
- Providing $9,085 in rebates for 106 residents who participated in the 2016 ENERGY STAR Appliance Rebate Program.
- Donating over 5,500 energy-efficient LED light bulbs to residents, property owners, and area schools.
- Funding home energy audits and thermal scans for 48 participants.
- Emphasizing strategic, data-driven program decisions via an analytics platform that synthesizes real-time and historic smart meter data.
- Completing a comprehensive feasibility study that investigated the feasibility of implementing energy storage in Belmont to optimize our renewable energy supply and bolster system-wide reliability, resiliency, and cost-savings.

Carbon Reduction- Electric Vehicles

Belmont Light reduced carbon emissions through its promotion of electric vehicles. Launched in October 2016 and continuing through 2017 to the present, the Belmont Drives Electric campaign is a local initiative supported by members of the Belmont Energy Committee, Belmont Light, Sustainable Belmont, and resident EV enthusiasts designed to create awareness of the environmental and financial benefits of driving electric vehicles through rebates, incentives and free test drives. Belmont now has more electric vehicles in its zip code (02478), approximately 117 as of the end of 2017, than any other zip code in Massachusetts.

2017 was the first full year for Belmont Light's Smart Charging Program, which rewards electric vehicle owners with rebates when they charge during off-peak hours. By shifting their electric vehicle charging to off-peak hours, 27 households potentially save other Belmont Light ratepayers higher capacity and transmission costs. The Smart Charging Program has continued in 2018.

In furtherance of its support for electric vehicles, Belmont Light, in partnership with the Belmont Facilities Department, installed public electric vehicle charging stations in the downtown Claflin Street Parking Lot. An additional public charging station was installed by the Facilities Department at the DPW Water Division on Woodland Street. Belmont Light and other town departments incorporated grant-funded electric vehicles into their fleets this year.

Rates

While we cannot shield our customers from the reality of increased power costs in the future, we can promise our customers that we will make every effort to control costs.

Rates (Continued)
There were no changes in Belmont Light's base rates for residential, commercial, and municipal customers from 2014. Effective January 1, 2017, Belmont Light adjusted its Purchased Power and Transmission Adjustment (PPTA) clause to $0.0079 per kilowatt hour. Effective December 1, 2017, rates were deemed sufficient without this charge and it was eliminated.

Belmont Light is going through Cost of Service Study in 2018 to validate the revenue requirements and existing tariff structure.

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

Reserves
In 2017, Belmont Light continued to build its stability through funding Rate Stabilization and Construction Reserve Funds to be in line with the industry standards.

Community Outreach
Belmont Light staff worked closely with the community throughout 2017 to spread awareness about electricity and energy issues, with an emphasis on bill management and energy conservation. In 2017, Belmont Light participated in and supported:

- Belmont Town Day;
- Meet Belmont;
- Civic and community organizations, including the Belmont Foundation for Education, the Beech Street Senior Center, and the Belmont Energy Committee;
- The Belmont Farmers' Market;
- Belmont Drives Electric
- Public presentations and forums; and
- The Annual "Light Up the Town" Tree Lighting Ceremony.

Belmont Light also held its fourth annual Winter Solstice event in December. At the event, residents donated over 75 blankets and pieces of bedding to Mission of Deeds, a local charity that provides household essentials to residents in need. Belmont Light further encouraged energy conservation through the publication of its annual historic calendar in December.

Customer Satisfaction Survey
The results of a customer satisfaction survey conducted in August 2017 continued to show positive growth. They indicate that Belmont Light customers are happy and satisfied with our service and reliability. Some of the highlights of the survey, which engaged a random sample of 401 customers via telephone, are:

- When compared to other utilities in the area that provide gas, phone, cable, and water services, Belmont Light is highly rated.
- 94.0% of respondents view themselves as having a favorable relationship with Belmont Light, describing themselves as either advocates of Belmont Light, or loyal and satisfied customers.
- The percentage of customers who say that "community goals are more important than industry best practices" is up from 28.8% in 2015 to 34.5% in 2017.
- More than half of customers (53.6%) would be willing to pay more on their bills to help Belmont Light achieve higher levels of renewable energy in its power supply portfolio.
- Belmont Light saw increases in most categories versus 2015, with especially high increases in "responsiveness to customers" and "helping customers conserve energy".
- Customers report being highly satisfied when interfacing with Belmont Light staff, with 90.0% saying they were satisfied when contacting customer service and 94.1% saying they were satisfied with field staff.

Customer Satisfaction Survey (Continued)
The survey also revealed opportunities for improvement. For example, only 46.7% of customers were aware that Belmont Light is governed by the Municipal Light Board. In addition, there are opportunities going forward to increase online interactions with customers, with only 22.9% of customers having used our new Smart Hub customer portal and only 7.7% of customers currently follow Belmont Light on social media.

Belmont Light thanks all of its customers who generously allocated their time to responding to the survey. If you would like to see more, the survey is available on Belmont Light’s website.

BELMONT LIGHT
STATEMENTS OF NET POSITION
DECEMBER 31, 2017 AND 2016

OPERATING FUND

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2017	2016
CURRENT ASSETS:		
Funds on Deposit with Town Treasurer		
Operating Cash	$ 4,087,041	$ 4,603,724
Construction Cash	13,529,892	485,265
Cash Received for Transferred Project Assets	0	45,065,209
Accounts Receivable - Customers, Net	1,286,281	1,417,404
Accounts Receivable - Other	386,298	1,471,662
Materials and Supplies	386,054	332,884
Prepaid Expenses	27,938	64,103
Purchased Power Prepayments	1,683,556	1,674,592
TOTAL CURRENT ASSETS	21,387,060	55,114,843
NONCURRENT ASSETS:		
Funds on Deposit with Town Treasurer		
Depreciation Fund	8,567,511	8,125,599
Customer Deposits	145,745	127,465
Rate Stabilization Reserve Fund	2,629,590	2,317,725
Debt Sinking Reserve Fund - Premium	1,618,895	1,605,928
Rate Stabilization Reserve Fund - MMWEC	409,030	405,198
Utility Plant Assets, Net	23,706,242	21,885,532
TOTAL NONCURRENT ASSETS	37,077,013	34,467,447
TOTAL ASSETS	58,464,073	89,582,290
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Outflows of Resources Related to Pensions	1,501,779	1,267,532
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 59,965,852	$ 90,849,822

See Accompanying Notes to Financial Statements

BELMONT LIGHT
STATEMENTS OF NET POSITION
DECEMBER 31, 2017 AND 2016

OPERATING FUND

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2017	2016
CURRENT LIABILITIES:		
Short-Term Debt:		
Bond Anticipation Note	$ 0	$ 27,615,151
Bond Payable, Current	1,179,938	1,144,938
Accounts Payable	1,587,522	6,200,415
Accrued Expenses	604,630	1,290,370
TOTAL CURRENT LIABILITIES	3,372,090	36,250,874
NONCURRENT LIABILITIES:		
Customer Deposits	145,745	127,465
Bond Payable, Net of Current Portion	23,388,512	24,568,451
Net Pension Liability	6,466,318	6,611,771
Other Postemployment Benefits Obligation	4,529,048	4,051,794
TOTAL NONCURRENT LIABILITIES	34,529,623	35,359,481
TOTAL LIABILITIES	37,901,713	71,610,355
DEFERRED INFLOWS OF RESOURCES:		
Deferred Inflows of Resources Related to Pensions	239,907	319,611
Rate Stabilization Reserve	3,038,620	2,722,923
Contribution in Aid of Construction, Net of Amortization	696,187	259,711
TOTAL DEFERRED INFLOWS OF RESOURCES	3,974,714	3,302,245
NET POSITION:		
Net Investment in Capital Assets, Net of Related Debt	12,667,684	(30,957,743)
Restricted for Depreciation	8,567,511	8,125,599
Restricted for Debt Service and Repayment of Project Advances	0	45,065,209
Unrestricted Net Position	(3,145,770)	(6,295,843)
TOTAL NET POSITION	18,089,425	15,937,222
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 59,965,852	$ 90,849,822

See Accompanying Notes to Financial Statements

BELMONT LIGHT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

OPERATING FUND

	2017	2016
OPERATING REVENUES:		
Sales of Electricity	$ 24,415,957	$ 23,418,995
Other Operating Revenues	555,008	333,436
TOTAL OPERATING REVENUES	24,970,965	23,752,431
OPERATING EXPENSES:		
Operations and Maintenance	20,603,895	20,174,383
Depreciation, Net of Amortization	1,228,053	1,344,977
TOTAL OPERATING EXPENSES	21,831,948	21,519,360
OPERATING INCOME	3,139,017	2,233,071
NONOPERATING REVENUES (EXPENSES):		
Investment Income	256,441	211,637
Interest Expense	0	(155)
Bond Interest Expense	(608,255)	0
Grant Income	17,146	60,063
Grant Expenses	(2,146)	(60,063)
TOTAL NONOPERATING REVENUES (EXPENSES)	(336,814)	211,482
Income Before Contributions and Transfers	2,802,203	2,444,553
NET POSITION - JANUARY 1	15,937,222	14,142,669
Transfers Out - Payment in Lieu of Taxes	(650,000)	(650,000)
NET POSITION - DECEMBER 31	$ 18,089,425	$ 15,937,222

BELMONT LIGHT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

OPERATING FUND

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	$ 25,504,663	$ 23,814,898
Cash Paid to Suppliers	(16,678,146)	(13,859,079)
Cash Paid to Employees	(3,147,743)	(2,965,006)
Cash Paid for Benefits	(1,798,556)	(1,662,954)
Payment in Lieu of Taxes	(650,000)	(650,000)
Net Cash Provided by Operating Activities	3,230,218	4,677,859
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Grant Income	17,146	60,063
Grant Expense	(2,146)	(60,063)
Interest Expense	0	(155)
Net Cash Provided (Used) by Noncapital Financing Activities	15,000	(155)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Advance on Bond Anticipation Note	0	27,645,452
Principal Repayment on BAN Payable	(27,600,000)	(26,400,000)
Principal Repayment on Bond Payable	(1,045,000)	(1,005,000)
Contribution in Aid of Construction	287,870	0
Additions to Plant Assets	(7,122,080)	(28,172,472)
Interest Expense	(889,500)	0
Proceeds from Sale of Capital Assets	1,249,891	45,060,270
Net Cash Provided (Used) by Capital and Related Financing Activities	(35,118,819)	17,128,250
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Income	70,774	75,360
Net Transfer from Operations	(716,158)	(4,222,467)
Net Cash Used by Investing Activities	(645,384)	(4,147,107)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(32,518,985)	17,658,847
CASH AND CASH EQUIVALENTS - BEGINNING	50,281,663	32,622,816
CASH AND CASH EQUIVALENTS - ENDING	$ 17,762,678	$ 50,281,663

See Accompanying Notes to Financial Statements

BELMONT LIGHT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

OPERATING FUND

	2017	2016
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	$ 3,139,017	$ 2,233,071
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	1,236,273	1,358,646
Amortization of Contribution in Aid of Construction	(8,220)	(13,669)
Allowance for Doubtful Accounts	17,299	8,198
Rate Stabilization Reserve	315,697	304,183
Payment in Lieu of Taxes	(650,000)	(650,000)
(Increase) Decrease in Assets:		
Accounts Receivable - Customers, Net	113,824	(117,561)
Accounts Receivable - Other	68,598	(133,963)
Materials and Supplies	(53,170)	50,385
Deferred Outflows Related to Pensions	(234,247)	(743,563)
Prepaid Expenses	36,165	54,526
Purchased Power Prepayments	(8,964)	(2,510)
Increase (Decrease) in Liabilities:		
Accounts Payable	(349,481)	564,889
Customer Deposits	18,280	1,610
Accrued Expenses	(679,108)	572,005
Net Pension Liability	(145,453)	374,817
Other Postemployment Benefits Obligation	493,412	497,184
Deferred Inflows Related to Pensions	(79,704)	319,611
Net Cash Provided by Operating Activities	$ 3,230,218	$ 4,677,859

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

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

	2017	2016
Operating Cash	$ 4,087,041	$ 4,603,724
Construction Cash	13,529,892	485,265
Cash Received for Transferred Project Assets	0	45,065,209
Customer Deposits	145,745	127,465
	$ 17,762,678	$ 50,281,663

See Accompanying Notes to Financial Statements

BELMONT LIGHT
STATEMENTS OF FIDUCIARY NET POSITION
DECEMBER 31, 2017 AND 2016

OPEB TRUST FUND

ASSETS

	2017	2016
Funds on Deposit with Town Treasurer		
Cash and Investments	$ 267,023	$ 226,073

FIDUCIARY NET POSITION

	2017	2016
FIDUCIARY NET POSITION - Restricted	$ 267,023	$ 226,073

BELMONT LIGHT
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

OPEB TRUST FUND

	2017	2016
Contributions	$ 16,158	$ 14,435
Net Investment Income	24,792	9,880
CHANGES IN FIDUCIARY NET POSITION	40,950	24,315
FIDUCIARY NET POSITION - JANUARY 1	226,073	201,758
FIDUCIARY NET POSITION - DECEMBER 31	$ 267,023	$ 226,073

See Accompanying Notes to Financial Statements

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 2017 and 2016 was 3% and 5%, respectively. Given the completion of the Blair Pond substation project, Belmont Light decreased its depreciation rate.

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.

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.

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 2017 presentation.

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.

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.

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.

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

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

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.

NOTE 2 - FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS:

GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* is required to be implemented for periods beginning after June 15, 2017. Belmont Light is currently evaluating the effect this pronouncement will have on the basic financial statements.

NOTE 3 - ACCOUNTS RECEIVABLE - CUSTOMERS, NET:

	2017	2016
Accounts Receivable - Customers	$ 1,461,557	$ 1,575,381
Allowance for Doubtful Accounts	(175,276)	(157,977)
Net Accounts Receivable - Customers	$ 1,286,281	$ 1,417,404

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, 2017 and 2016 was $3,038,620 and $2,722,923, 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, 2017 and 2016 was $8,567,511 and $8,125,599, respectively. During 2016, in accordance with a vote of the Light Board, Belmont Light transferred $3,500,000 from operating cash to the Depreciation Fund, for use on the 115kV project and other capital projects.

NOTE 6 - UTILITY PLANT ASSETS:

	Balance January 1, 2017	Increases	Decreases	Balance December 31, 2017
Capital Assets Not Being Depreciated:				
Land	$ 1,586,597	$ 0	$ 0	$ 1,586,597
Construction in Progress	1,384,518	1,490,869	(185,889)	2,689,498
Total Capital Assets Not Being Depreciated	2,971,115	1,490,869	(185,889)	4,276,095
Capital Assets Being Depreciated:				
Distribution Plant	32,059,588	1,543,810	(137,443)	33,465,955
General Plant	9,149,513	208,193	(20,121)	9,337,585
Total Capital Assets Being Depreciated	41,209,101	1,752,003	(157,564)	42,803,540
Less Accumulated Depreciation For:				
Distribution Plant	(15,269,788)	(961,789)	137,443	(16,094,134)
General Plant	(7,024,896)	(274,484)	20,121	(7,279,259)
Total Accumulated Depreciation	(22,294,684)	(1,236,273)	157,564	(23,373,393)
Capital Assets Being Depreciated, Net	18,914,417	515,730	0	19,430,147
Utility Plant Assets, Net	$ 21,885,532	$ 2,006,599	$ (185,889)	$ 23,706,242

Depreciation for the years ended December 31, 2017 and 2016 was $1,236,273 and $1,358,646, respectively. Depreciation expense reported on the Statements of Revenues, Expenses and Changes in Net Position is net of amortization of $8,220 and $13,669 related to contribution in aid of construction for the years ended December 31, 2017 and 2016, respectively.

NOTE 7 - NET INVESTMENT IN CAPITAL ASSETS:

	2017	2016
Cost of Capital Assets Acquired	$ 47,079,635	$ 44,180,216
Less: Accumulated Depreciation	(23,373,393)	(22,294,684)
Less: Outstanding Debt Related to Capital Assets	(11,038,558)	(52,843,275)
Net Investment in Capital Assets	$ 12,667,684	$ (30,957,743)

The negative net investment in capital assets in 2016 is offset by the reimbursement from Eversource of $45,060,270 received in December 2016. The cash was used to retire the bond anticipation notes plus financing costs in May 2017, and the Department plans to use the remainder to reimburse Belmont Light's general bond fund and operating cash for advances made during construction of the Blair Pond Substation and 115kV Transmission Project.

NOTE 8 - CONSTRUCTION IN PROGRESS:

During 2016, Belmont Light was in the process of building a new substation to upgrade their transmission service to 115kV. The total amount invested in the project as of December 31, 2016 was $60,659,623. During 2016, Belmont Light sold a portion of the 115kv project assets to Eversource for $46,310,161, and placed $14,349,462 of Belmont Light capital assets in service. During 2017, the 115kV transmission service upgrade project was completed and Belmont Light continued construction on 115kV Project B, the interconnection of transmission service. The total amount invested in 115kV Project B as of December 31, 2017 and 2016 was $2,308,321 and $873,385, respectively,

During the years ended December 31, 2017 and 2016, Belmont Light invested zero and $15,691, 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 was $156,827. During 2017, the project was completed and billed to the State.

Belmont Light has several other construction projects in progress. The total amount invested in these projects that were not completed as of December 31, 2017 and 2016 was $381,176 and $354,306, respectively.

NOTE 9 - BONDS PAYABLE:

On May 6, 2016, the Town issued a Bond Anticipation Note (BAN) in the aggregate amount of $27,645,452. Proceeds were to be used to further finance the 115kV Transmission service upgrade project. Bearing interest at 1.07% the principal balance matured May 5, 2017. Accrued interest for Belmont Light's share of this BAN amounted to $227,699 as of December 31, 2016, which was capitalized. The BAN included a bond premium of $45,452 which will be amortized over the life of the bond. As of December 31, 2016, the principal balance was $27,600,000, and the remaining unamortized premium on the BAN was $15,151. The BAN matured on May 5, 2017 and was paid.

NOTE 9 - BONDS PAYABLE (Continued):

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, 2017 and 2016, the outstanding principal was $23,060,000 and $24,105,000, respectively. Capitalized interest expense relating to this bond amounted to $274,613 and $917,864 as of December 31, 2017 and 2016, respectively.

Future Maturities of the bonds are as follows:

		Principal	Interest	Total
For the Years Ending December 31,	2018	$ 1,080,000	$ 852,225	$ 1,932,225
	2019	1,120,000	808,225	1,928,225
	2020	1,170,000	762,425	1,932,425
	2021	1,215,000	714,725	1,929,725
	2022	1,260,000	665,225	1,925,225
	2023-2027	7,100,000	2,526,956	9,626,956
	2028-2032	8,470,000	1,131,306	9,601,306
	2033-2034	1,645,000	66,500	1,711,500
		23,060,000	$ 7,527,587	$ 30,587,587
Plus: Unamortized Bond Premium		1,508,450		
Less: Current Maturities of Long Term Debt		(1,179,938)		
		$ 23,388,512		

NOTE 10 - ACCRUED EXPENSES:

Accrued expenses as of December 31, 2017 and 2016 are as follows:

	2017	2016
Sales Tax	$ 21,714	$ 11,383
Interest on Bonds and BAN	184,847	419,178
Accrued Payroll	183,616	106,668
Compensated Absences	214,453	222,443
Accrued 115kV Project Costs	0	530,698
Total Accrued Expenses	$ 604,630	$ 1,290,370

NOTE 11 - RELATED PARTY TRANSACTIONS:

In 2017 and 2016, Belmont Light received payments from the Town in the amount of $1,561,484 and $1,368,574, respectively, and made payments to the Town in the amount of $2,555,809 and $1,678,697, respectively. At December 31, 2017 and 2016, the outstanding receivable balance was $99,065 and $100,924, respectively. As of December 31, 2017 and 2016 amounts due to the Town were zero and $241,499, respectively.

NOTE 12 - 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 13 - 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, 2017 and 2016, Belmont Light does not have custodial risk exposure in their investments in U.S. Treasury/Agency Securities, Certificate of Deposits, 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 on the following page.

NOTE 13 - CASH AND INVESTMENTS (Continued):

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

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.

- U.S. Government Securities:
  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 next 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, 2017 and 2016. As of December 31, 2017 and 2016, Belmont Light did not have any investments that were measured using Level 2 or Level 3 inputs.

NOTE 13 - CASH AND INVESTMENTS (Continued):

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

	December 31, 2017 Quoted Prices in Active Markets for Identical Assets (All Level 1)	December 31, 2016 Quoted Prices in Active Markets for Identical Assets (All Level 1)
FMV Investments:		
U.S. Government Securities	$ 5,868,155	$ 1,043,513
Other Securities:		
Money Markets	3,532,978	5,969,696
Certificates of Deposit	3,414,863	5,036,043
Total Other Securities	6,947,841	11,005,739
Total Investments	$ 12,815,996	$ 12,049,252

	Ratings As of Year End	2017 Fair Value	2017 Under 1 Year	2017 1-5 Years	2016 Fair Value
Term Securities:					
Certificates of Deposit	Exempt	$ 3,414,863	$ 2,933,485	$ 481,378	$ 5,036,043

The following accounts were considered to be investments as of December 31, 2017 and 2016:

	2017	2016
Debt Sinking Fund	$ 1,618,895	$ 1,605,928
Depreciation Fund	8,567,511	8,125,599
Rate Stabilization Fund	2,629,590	2,317,725
	$ 12,815,996	$ 12,049,252

As of December 31, 2017, 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.

NOTE 14 - 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, 2017 and 2016.

NOTE 15 - 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 provided funds for LED streetlights in the Town of Belmont. The project was completed in 2016. For the year ended December 31, 2016, Belmont Light recognized $60,063 of grant income. Grant expenditures for the year ended December 31, 2016 were $60,063.

During 2017, Belmont Light was awarded a grant from the Massachusetts Electric Vehicle Incentive Program (MassEVIP) a program administered by the Massachusetts Department of Environmental Protection (MassDEP). The grant, in the amount of $15,000, was to fund the purchase of an all-electric vehicle, and for the installation of a charging station. In addition, Belmont Light received a grant from Sagewell, Inc. for reimbursement of marketing expenses for participation in the National Drive Electric Week Event, in the amount of $2,146. Grant expenditures for the year ended December 31, 2017 were $2,146.

NOTE 16 - 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 17 - 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 2041.

NOTE 17 - COMMITMENTS AND CONTINGENCIES (Continued):

Purchase Power Commitment (continued)

Belmont Light's annual energy costs related to its long-term power purchase commitments as of 2017 are approximately as follows:

For the Years Ending December 31,	2018	$ 3,579,603
	2019	1,199,661
	2020	1,211,361
	2021	1,000,965
	2022	853,451
	2023-2027	3,884,333
	2028-2032	2,336,201
	2033-2037	1,466,879
	2038-2041	322,128
		$ 15,854,582

NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS LIABILITY 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, 2017 and 2016 was $267,023 and $226,073, respectively. The total amount of this investment pool as of December 31, 2017 and 2016 was $3,618,894 and $2,908,677, respectively, of which Belmont Light's ownership was approximately 7.4% and 7.8%, respectively.

The Trust has adopted GASB 74 for the year ending December 31, 2017, which introduces a new actuarial cost method and discount rate as well as new disclosures and methodologies for reporting plan liabilities and OPEB expenses. The liability recognized within the financial statements is based on the accounting rules governed by GASB 45, as described in Note 19. In 2018, the liability will be recognized based on the accounting rules in GASB 74 and 75.

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:

At June 30, 2017, OPEB plan membership consisted of the following:

Retired members or beneficiaries currently receiving benefits	23
Active members	24
	47

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.

NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS LIABILITY TRUST FUND (Continued):

Contributions:
Belmont Light annually contributes an actuarially determined contribution based on the results of the most recent actuarial valuation.

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

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

Net OPEB Liability of the Plan:
The components of the net OPEB liability at June 30, 2017, were as follows:

Total OPEB Liability	$ 4,138,924
Fiduciary Net Position	(241,352)
Net OPEB Liability	$ 3,897,572

Fiduciary net position as a percentage of the total OPEB liability was 5.83%.

Actuarial Assumptions:
The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Investment rate of return	6.5%
Healthcare cost trend rate	
Non-Medicare (Medical)	7% decreasing by 0.5% each year to an ultimate level of 4.5% per year.
Medicare (Medical Only)	4.5%
Prescription Drug	9% decreasing by 0.5% each year to an ultimate level of 4.5% per year.
Medicare Advantage	7.5% decreasing by 0.5% each year to an ultimate level of 4.5% per year.
Administration	3.0%

NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS LIABILITY TRUST FUND (Continued):

Actuarial Assumptions (continued):

Contributions	7.5% decreasing by 0.5% each year to an ultimate level of 4.5% per year.
Mortality tables	
Pre-Retirement Mortality	RP-2000 Employee Mortality Table projected generationally from 2009 with scale BB2D.
Healthy Mortality	RP-2000 Healthy Annuitant Mortality Table projected generationally from 2009 with scale BB2D.
Disabled Mortality	RP-2000 Healthy Annuitant Mortality Table projected generationally from 2015 with scale BB2D.

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of long-term expected investment rate of return assumption as of June 30, 2017 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic Equity	60.00%	6.44%
Core Fixed Income	40.00%	2.02%
Total	100.00%	

Discount Rate:
The discount rate is a blend of the long-term expected rate of return on OPEB Trust assets and yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (3.58% as of June 30, 2017 and 2.85% as of June 30, 2016). The blending is based on the sufficiency of projected assets to make projected benefit payments.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the net OPEB liability calculated using the discount rate of 5.9%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.9%) or 1-percentage point higher (6.9%) than the current rate:

	1% Decrease 4.9%	Current Discount Rate 5.9%	1% Increase 6.9%
Net OPEB Liability	$ 4,414,372	$ 3,897,572	$ 3,468,247

NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS LIABILITY TRUST FUND (Continued):

Sensitivity of the Net Pension Liability to Changes in the Healthcare Cost Trend Rates - The following presents the net OPEB liability calculated using current healthcare cost trend rates as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rate:

	1% Decrease	Current Trend Rate	1% Increase
Net OPEB Liability	$ 3,416,353	$ 3,897,572	$ 4,488,662

NOTE 19 - OTHER POSTEMPLOYMENT BENEFITS (OPEB):

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, 2016, Belmont Light's membership consisted of the following:

Current retirees beneficiaries	22
Current active members	31
Total	53

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 $493,911 and $475,172 for the years ended December 31, 2017 and 2016, 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.

NOTE 19 - 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 information shows the components of Belmont Light's annual OPEB cost for the years ending December 31, 2017 and 2016, 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, 2016.

	2017	2016
Normal cost	$ 284,600	$ 284,600
Amortization of unfunded actuarial accrued liability	443,878	443,878
Interest	30,960	30,960
Annual required contribution	759,438	759,438
Interest on net OPEB obligation	172,201	159,954
Adjustment to annual required contribution	(248,729)	(218,204)
Expected benefit payments	(189,498)	(189,498)
Increase in net OPEB obligation	493,412	511,690
Contributions to Trust Fund	(16,158)	(14,435)
Net OPEB obligation – Beginning of Year	4,051,794	3,569,045
Change in Actuarial Assumptions	0	(14,506)
Net OPEB obligation – End of Year	$ 4,529,048	$ 4,051,794

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

Year Ended	Annual OPEB Costs	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2015	$ 621,171	32%	$ 3,569,045
2016	$ 759,438	27%	$ 4,051,794
2017	$ 759,438	27%	$ 4,529,048

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.

NOTE 19 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued):

The funded status is as follows:

Actuarial accrued liability (AAL)	$	7,975,777
Value of plan assets		(267,023)
Unfunded actuarial accrued liability	$	7,708,754
Funded ratio (actuarial value of plan assets/AAL)		3.35%
Covered payroll (active plan members)	$	3,147,743
UAAL as a percentage of covered payroll		244.90%

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, 2016 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.25% investment rate of return and an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 5% after 7 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 20 - PENSION PLAN:

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

Benefits Provided - The System provides retirement, disability and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of member's highest three-year average annual rate of regular compensation. For members who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

NOTE 20 - PENSION PLAN (Continued):

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.

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 contribution to the System for the years ended December 31, 2017 and 2016 were $723,497 and $676,065, respectively, of which $361,749 and $326,800 was paid during calendar years 2016 and 2015, respectively.

Pension Liabilities - At December 31, 2017 and 2016, Belmont Light reported a liability of $6,466,318 and $6,611,771, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016 and 2015, respectively, and the total pension liability used to calculate the new pension liability was determined by an actuarial valuation as of January 1, 2016. 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, 2016 and 2015, respectively. At the measured date of December 31, 2016 and 2015, Belmont Light's portion was 8.59% and 8.58%, respectively of the total System contributions.

NOTE 20 – PENSION PLAN (Continued):

Pension Expense - For the years ended December 31, 2017 and 2016, Belmont Light recognized a pension expense of $751,204 and $650,645, respectively. For the years ended December 31, 2017 and 2016, Belmont Light reported deferred outflows of resources related to pensions of $1,501,779 and $1,267,532, respectively, consisting of the differences between projected and actual investment earnings which amounted to $306,687 and $446,914, respectively, changes of assumptions which amounted to $344,294 and $458,869, respectively, changes in proportion and differences between employer contributions and proportionate share of contributions which amounted to $1,937 and zero, respectively, and the amount paid for contributions made subsequent to the measurement date which amounted to $848,861 and $361,749, respectively. For the years ended December 31, 2017 and 2016, Belmont Light reported deferred inflows of resources related to pensions of $239,907 and $319,611, respectively, consisting of the differences between expected and actual experiences which amounted to $118,934 and $158,513, respectively, and consisting of changes in proportion and differences between employer contributions and proportionate share of contributions which amounted to $120,973 and $161,098, respectively.

Belmont Light's net deferred outflows and inflows of resources related to pensions will be recognized in pension expense in the following years as described in the table below:

For the Years Ended December 31:	2018	$ 144,248
	2019	144,249
	2020	130,356
	2021	(5,842)
	Total	$ 413,011

As discussed in the previous paragraph, deferred outflows of resources related to pensions as of December 31, 2017 was $1,501,779, which includes $848,861 of contributions made subsequent to the measurement date that is not amortized.

Actuarial Assumptions - The total pension liability as of December 31, 2017 and 2016 was determined by an actuarial valuation as of January 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement.

Valuation Date	January 1, 2016
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level payments on the 2002 ERI liability, payments increasing 4.5% per year for the 2003 ERI liability, and remaining liability amortized so that total payment increases 6.97% annually.
Remaining Amortization Period	As of July 1, 2014, 4 years for the 2002 ERI liability, 11 years for the 2003 ERI liability and 13 years for the remaining unfunded liability.
Inflation Rate	Assumed rate of 3.00%

NOTE 20 - PENSION PLAN (Continued):

Actuarial Assumptions (continued)

Asset Valuation Method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual and expected return on a market value basis, and is recognized over a five-year period at 20% per year, further adjusted, if necessary, to be within 20% of the market value.
Projected Salary Increases	Varies by length of service with ultimate rates of 3.75% for Groups 1 and 2, and 4.25% for Group 4.
Cost of Living Allowance	3.00% of first $12,000 of retirement income.
Rates of Retirement	Varies based upon age for general employees, police and fire employees.
Mortality Rates:	
Pre-Retirement	RP-2000 Employee Mortality Table generationally using Scale BB2D from 2009.
Healthy Retirees	RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale BB2D from 2009.
Disabled Retirees	RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale BB2D from 2015.
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation

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, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic Equity	28%	6.44%
International Developed Markets Equity	8%	7.40%
International Emerging Markets Equity	4%	9.42%
Core Fixed Income	10%	2.02%
High-Yield Fixed Income	11%	4.43%
Real Estate	12%	5.00%
Hedge Fund, GTAA, Risk Parity	20%	3.75%
Private Equity	7%	10.47%

NOTE 20 - PENSION PLAN (Continued):

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. 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 7.5%, 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 (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Proportionate share of the Net Pension Liability	$ 8,032,670	$ 6,466,318	$ 5,138,757

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

Schedule of Belmont Light's Proportionate Share of the Net Pension Liability (NPL)

Actuarial Valuation Date	Measurement Date	For the Year Ending	Belmont Light's Portion of the NPL	Belmont Light's Proportionate Share of the NPL	Belmont Light's Covered Employee Payroll	NPL as a Percentage of Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
1/1/2014	12/31/2014	12/31/2015	8.8700%	$ 6,236,954	$ 2,193,362	284.36%	56.19%
1/1/2016	12/31/2015	12/31/2016	8.5800%	$ 6,611,771	$ 2,384,359	277.30%	53.55%
1/1/2016	12/31/2016	12/31/2017	8.5900%	$ 6,466,318	$ 2,485,260	260.19%	55.97%

Schedule of Contributions

Actuarial Valuation Date	Measurement Date	For the Year Ending	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Belmont Light's Covered Employee Payroll	Contribution as a Percentage of the Belmont Light's Covered Employee Payroll
1/1/2014	12/31/2014	12/31/2015	$ 653,599	$ 653,599	$ -	$ 2,193,362	29.80%
1/1/2016	12/31/2015	12/31/2016	$ 676,065	$ 676,065	$ -	$ 2,384,359	28.35%
1/1/2016	12/31/2016	12/31/2017	$ 723,497	$ 723,497	$ -	$ 2,485,260	29.11%

Note: These schedules are intended to present information for 10 years. Until a 10 year trend is compiled, information is presented for those years for which information is available.

BELMONT LIGHT
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS

OPERATING FUND

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%
7/1/2014	12/31/2015	$ 201,758	$ 7,393,170	$ 7,191,412	2.73%	$ 2,735,987	262.85%
7/1/2016	12/31/2016	$ 226,073	$ 7,975,777	$ 7,749,704	2.83%	$ 2,965,006	261.37%
7/1/2016	12/31/2017	$ 267,023	$ 7,975,777	$ 7,708,754	3.35%	$ 3,147,743	244.90%

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	7/1/2016
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar amount over thirty (30) years
Remaining Amortization Period	20 years
Actuarial Assumptions	
Discount Rate:	4.25%
Projected Salary Increase	3.25%
Health Care Cost Trend Rate	Initially 8%, reduced by decrements of .5% per year over 7 years; ultimate rate of 5%

BELMONT LIGHT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

OPEB TRUST FUND

		2017
Total OPEB Liability:		
Service Cost	$	154,575
Interest		367,791
Differences between Expected and Actual Experience		-
Changes of Assumptions		(1,742,425)
Plan amendments		(809,061)
Benefit Payments		(189,498)
Net Change in Total OPEB Liability		(2,218,618)
Total OPEB Liability - Beginning		6,357,542
Total OPEB Liability - Ending	$	4,138,924
Plan Fiduciary Net Position:		
Contributions-Employer	$	203,933
Net Investment Income		14,570
Benefit Payments		(189,498)
Net Change in Plan Fiduciary Net Position		29,005
Plan Fiduciary Net Position - Beginning		212,347
Plan Fiduciary Net Position - Ending	$	241,352
Net OPEB Liability - Ending	$	3,897,572
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability		5.83%
Covered Payroll	$	3,147,743
Net OPEB Liability as a Percentage of Covered Payroll		123.82%

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

BELMONT LIGHT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB EMPLOYER CONTRIBUTIONS

OPEB TRUST FUND

For the Fiscal Year Ended December 31	**2017**
Actuarially Determined Contributions	$ 759,438
Contributions in relation to the actuarially determined contribution	(203,933)
Contribution Deficiency (Excess)	$ 555,505
Covered Payroll	$ 3,147,743
Contributions as a percentage of covered payroll	6.48%

Notes to Schedule

Valuation Date:	Actuarially determined contribution was calculated as of June 30, 2016

Methods and assumptions used in calculations of actuarially determined contributions:

Actuarial Cost Method:	Entry Age Normal - Level Percentage of Payroll
Amortization Method :	Level Dollar
Amortization Period:	30 years from July 1, 2016
Asset Valuation Method:	Market Value
Inflation:	3.00%
Healthcare Cost Trend Rates:	8% decreasing by 0.5% each year to an ultimate level of 5.0% per year.
Investment Rate of Return:	4.25%

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

BELMONT LIGHT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS

OPEB TRUST FUND

	2017
Annual Money-Weighted rate of Return, net of investment expenses	4.67%

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

BELMONT LIGHT
SCHEDULES OF SALES OF ELECTRICITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

OPERATING FUND

	2017	2016
SALES OF ELECTRICITY:		
Residential	$ 14,274,015	$ 13,783,331
Commercial	4,045,641	3,723,617
Industrial	4,612,914	4,536,423
Municipal	1,158,131	1,088,423
Private Lighting	61,636	57,754
Street Lights	263,620	229,447
TOTAL SALES OF ELECTRICITY	$ 24,415,957	$ 23,418,995

See Independent Auditors' Report

BELMONT LIGHT
SCHEDULES OF OPERATIONS AND MAINTENANCE EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

OPERATING FUND

	2017	2016
POWER PRODUCTION EXPENSES:		
Purchased Power Expense	$ 10,659,416	$ 10,595,552
Transmission Expense	3,293,485	3,315,871
Total Power Production Expenses	13,952,901	13,911,423
DISTRIBUTION EXPENSES:		
Miscellaneous Distribution Expenses	119,652	122,489
Line Expenses	771,520	933,839
Operation Supplies and Expenses	827,395	787,274
Maintenance of Meters	161,395	160,473
Customer Installations Expense	72,057	75,881
Stores Expense	125,908	103,756
Total Distribution Expenses	2,077,927	2,183,712
CUSTOMER ACCOUNT EXPENSES:		
Customer Accounting and Collection Expense	627,117	581,048
Meter Reading Expense	91,984	123,399
Uncollectible Accounts	48,573	(2,674)
Total Customer Accounts	767,674	701,773
GENERAL AND ADMINISTRATIVE EXPENSES:		
Administrative and General Salaries	722,935	587,674
Office Supplies and Expenses	176,578	224,821
Outside Services Employed	458,874	391,572
Insurance, Injuries and Damages	214,894	146,010
Employees' Pension and Benefits	1,798,556	1,662,954
Dues, Meetings, and Other General Expenses	14,543	29,902
Transportation Expenses	51,995	52,463
Marketing Expenses	123,680	95,488
Total General and Administrative Expenses	3,562,055	3,190,884
MAINTENANCE EXPENSES:		
Maintenance - Other	243,338	186,591
TOTAL OPERATIONS AND MAINTENANCE EXPENSES	$ 20,603,895	$ 20,174,383