

HINGHAM MUNICIPAL LIGHTING PLANT

Financial Statements

December 31, 2024 and 2023

HINGHAM MUNICIPAL LIGHTING PLANT
TABLE OF CONTENTS
DECEMBER 31, 2024 AND 2023

	Page
Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-6
Financial Statements:	
Operating Fund:	
Statements of Net Position	7,8
Statements of Revenues, Expenses and Changes in Net Position	9
Statements of Cash Flows	10,11
Other Postemployment Benefits (OPEB) Trust Fund:	
Statements of Fiduciary Net Position	12
Statements of Changes in Fiduciary Net Position	12
Notes to the Financial Statements	13-37
Supplemental Information:	
Operating Fund:	
Required Supplementary Information – Net Pension Liability	38
Operating and OPEB Trust Fund:	
Required Supplementary Information – Net OPEB Liability	39,40
Notes to the Required Supplementary Information	41
Operating Fund:	
Schedules of Sales of Electricity	42
Schedules of Operation and Maintenance Expenses	43

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

INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
Hingham Municipal Lighting Plant
31 Bear Cove Park Drive
Hingham, MA 02043

Opinion

We have audited the financial statements of Hingham Municipal Lighting Plant, as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which comprise the Plant's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hingham Municipal Lighting Plant as of December 31, 2024 and 2023, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hingham Municipal Lighting Plant's ability to continue as a going concern for the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditors standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hingham Municipal Lighting Plant's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hingham Municipal Lighting Plant's ability to continue as a going concern for a reasonable period of time.

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

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Hingham Municipal Lighting Plant and do not purport to, and do not present fairly the financial position of the Town of Hingham, Massachusetts, as of December 31, 2024 and 2023, and the changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Net Other Postemployment Benefits Liability and Net Pension Liability information on pages four through six and 38 through 41 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Hingham Municipal Lighting Plant's basic financial statements. The Schedules of Sales of Electricity and Schedules of Operation and Maintenance Expenses on pages 42 and 43 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Goulet, Salvidio & Associates, P.C.

Goulet, Salvidio & Associates, P.C.

Worcester, Massachusetts

June 2, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Hingham Municipal Lighting Plant's annual financial report, management provides narrative discussion and analysis of the financial activities of the Hingham Municipal Lighting Plant for the years ended December 31, 2024 and 2023. The Plant's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

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 statements of cash flows 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. As of December 31, 2024, it shows our net worth has increased by \$5,599,497 or 9.6% over the year ended December 31, 2023.

The Statements of Revenues, Expenses and Changes in Net Position, summarizes our operating results and reveals how much net income was earned for the year. As discussed in more detail, our net income for December 31, 2024 and 2023 was \$6,070,982 and \$5,559,737, 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.

Summary of Net Position – Operating Fund

	<u>2024</u>	<u>2023</u>
Current Assets	\$ 13,557,058	\$ 14,575,626
Noncurrent Assets	<u>70,666,710</u>	<u>64,781,186</u>
Total Assets	<u>84,223,768</u>	<u>79,356,812</u>
Deferred Outflows of Resources	<u>1,585,531</u>	<u>1,815,337</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 85,809,299</u>	<u>\$ 81,172,149</u>
Current Liabilities	\$ 2,315,105	\$ 2,252,887
Noncurrent Liabilities	<u>6,757,571</u>	<u>7,730,512</u>
Total Liabilities	<u>9,072,676</u>	<u>9,983,399</u>
Deferred Inflows of Resources	<u>\$ 12,627,794</u>	<u>\$ 12,679,417</u>

Summary of Net Position – Operating Fund (Continued)

	<u>2024</u>	<u>2023</u>
Net Position:		
Net Investment in Capital Assets	\$ 25,357,626	\$ 25,475,255
Net Position Restricted for Depreciation	32,212,101	27,158,028
Unrestricted Net Position	<u>6,539,102</u>	<u>5,876,050</u>
Total Net Position	<u>64,108,829</u>	<u>58,509,333</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 85,809,299</u>	<u>\$ 81,172,149</u>

Summary of Changes in Net Position – Operating Fund

	<u>2024</u>	<u>2023</u>
Operating Revenues	\$ 33,712,883	\$ 33,386,345
Operating Expenses	<u>29,591,009</u>	<u>29,440,873</u>
Operating Income	4,121,874	3,945,472
Nonoperating Revenues	<u>1,949,107</u>	<u>1,614,265</u>
Income Before Contributions and Transfers	6,070,981	5,559,737
Transfers Out – Payments in Lieu of Taxes	(471,485)	(504,445)
Beginning Net Position	<u>58,509,333</u>	<u>53,454,041</u>
Ending Net Position	<u>\$ 64,108,829</u>	<u>\$ 58,509,333</u>

Financial Highlights:

Operating revenues increased \$333,943 in 2024 or approximately 1%. Operating expenses increased \$150,136 in 2024, or approximately 0.5%.

In 2021 the Hingham Municipal Lighting Plant installed a 2 MW, 3-hour battery to help reduce our peak capacity. The battery, which is owned by Kruger Energy, became operational on July 31, 2021. HMLP saw profit of approximately \$38,000 as a result of the battery dispatch during peak hours in 2024.

HMLP no longer claims to say our supply is 100% carbon free. HMLP Board made the decision in 2022 to sell all the RECs obtained as a result of renewable power contracts. The proceeds from the sales of RECs are held in a separate account to fund Green capital projects. These funds are currently being saved for the proposed replacement of the current metering system with a new AMI (Advance Metering Infrastructure) system. HMLP is hopeful to have enough money from the proceeds of RECs to pay for the new AMI system in 2027. The new AMI system will make way for a new Time of Use (TOU) rate which will allow HMLP to charge customers more equitably and allow customer to better manage their usage.

Debt Administration and Utility Plant:

Debt Administration

The Hingham Municipal Lighting Plant remains a vertically integrated utility, as do all Municipal Light Departments in Massachusetts. This means that we are allowed under the Massachusetts Utility Restructuring Laws to retain our ownership and control over our electrical generation assets. Investor-owned utilities, such as National Grid and Eversource, have been required to sell their generation assets as a result of the same restructuring laws.

Utility Plant

Net utility plant decreased by \$117,629 from 2023. This decrease is the difference between the current year additions of \$3,482,323 and the annual depreciation write off of \$3,599,952. The Light Plant continues to add infrastructure to its system to provide service to the new growth in Town.

Significant Balances and Transactions:

Pension Fund

The Pension Fund's purpose is to set aside monies for retirement costs attributable to the Lighting Plant's retirees for whom the Town of Hingham is assessed annually by Massachusetts Contributory Retirement System, and to satisfy the Plant's anticipated future pension liabilities for its current employees. The Lighting Plant recognizes a net pension liability related to its future pension commitments of \$3,499,587 and \$3,966,342 for the years ended December 31, 2024 and 2023, respectively.

OPEB Trust Fund

The Other Postemployment Benefits Trust Fund's purpose is to set aside monies for costs attributable to the Lighting Plant's retiree's medical costs. The Lighting Plant has set aside funds for this liability and the current fund is 65% funded, well ahead of the potential need for the fund to be fully funded. The fund is being managed by an experienced wealth management firm, based on the Lighting Plant's Investment Policy Statement.

Depreciation Fund

The Lighting Plant maintains a depreciation fund, which is managed by the Town of Hingham Treasurer. This fund is used to pay for large capital investments such as new trucks and other long-term assets. Items such as these would be purchased from the operating funds, which would then be replenished by funds transferred from the depreciation fund. The depreciation fund is required by state statute.

Rate Stabilization Fund

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.

Purchased Power Working Capital

The purchased power working capital is an amount held by Energy New England (ENE), our power supply agent. ENE requires that they hold a set amount of capital from which it may pay our power obligations when they are due. They replenish the fund as needed from our monthly invoice payments.

Insurance Escrow Reserve Fund

The insurance escrow reserve fund was set up to help reduce future costs of our general liability policy. Years ago, management considered having a self-insurance fund for our excess liability needs because the insurance market was hard (high premiums and difficulty in finding coverage). Our current plan is to hold the amount in excess of the self-retention for nuisance claims or where damages exceed the covered limit.

HINGHAM MUNICIPAL LIGHTING PLANT
STATEMENTS OF NET POSITION
DECEMBER 31, 2024 AND 2023

OPERATING FUND

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>2024</u>	<u>2023</u>
CURRENT ASSETS:		
Funds on Deposit with Town Treasurer		
Operating Cash	\$ 6,108,977	\$ 6,759,234
Accounts Receivable, Net	1,991,102	2,143,619
Accounts Receivable, Related Party	201,761	185,174
Other Receivable	652,390	987,845
Materials and Supplies	1,704,158	1,774,687
Prepaid Power Contracts	588,145	569,735
Purchased Power Working Capital	<u>2,310,525</u>	<u>2,155,332</u>
 TOTAL CURRENT ASSETS	 <u>13,557,058</u>	 <u>14,575,626</u>
NONCURRENT ASSETS:		
Funds on Deposit with Town Treasurer		
Depreciation Fund	32,212,101	27,158,028
Customer Deposits	2,030,666	2,008,670
Insurance Reserve Fund	253,687	253,687
Rate Stabilization Fund - Green Initiative	2,276,157	1,676,896
Rate Stabilization Fund	8,184,589	7,856,766
Investments	351,884	351,884
Utility Plant Assets, Net	<u>25,357,626</u>	<u>25,475,255</u>
 TOTAL NONCURRENT ASSETS	 <u>70,666,710</u>	 <u>64,781,186</u>
 TOTAL ASSETS	 <u>84,223,768</u>	 <u>79,356,812</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Outflows of Resources Related to OPEB	396,413	366,054
Deferred Outflows of Resources Related to Pensions	<u>1,189,118</u>	<u>1,449,283</u>
 TOTAL DEFERRED OUTFLOWS OF RESOURCES	 <u>1,585,531</u>	 <u>1,815,337</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 <u><u>\$ 85,809,299</u></u>	 <u><u>\$ 81,172,149</u></u>

See Accompanying Notes to the Financial Statements

HINGHAM MUNICIPAL LIGHTING PLANT
STATEMENTS OF NET POSITION
DECEMBER 31, 2024 AND 2023

OPERATING FUND

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2024	2023
CURRENT LIABILITIES:		
Accounts Payable	\$ 1,636,380	\$ 1,631,381
Accounts Payable - Related Party	471,485	504,445
Accrued Expenses	191,240	117,061
Customer Advances	16,000	0
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	2,315,105	2,252,887
	<hr/>	<hr/>
NONCURRENT LIABILITIES:		
Customer Deposits	2,029,026	2,008,670
Net Pension Liability	3,449,587	3,966,342
Net Other Postemployment Benefits Obligation	1,278,958	1,755,500
	<hr/>	<hr/>
TOTAL NONCURRENT LIABILITIES	6,757,571	7,730,512
	<hr/>	<hr/>
TOTAL LIABILITIES	9,072,676	9,983,399
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DEFERRED INFLOWS OF RESOURCES:		
Contribution in Aid of Construction, Net	1,524,605	1,524,524
Deferred Inflows of Resources Related to Pensions	315,631	122,344
Deferred Inflows of Resources Related to OPEB	365,433	418,068
Rate Stabilization Reserve - Green Initiative	2,237,536	2,757,715
Rate Stabilization Reserve	8,184,589	7,856,766
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TOTAL DEFERRED INFLOWS OF RESOURCES	12,627,794	12,679,417
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NET POSITION:		
Net Investment in Capital Assets	25,357,626	25,475,255
Net Position Restricted for Depreciation	32,212,101	27,158,028
Unrestricted Net Position	6,539,102	5,876,050
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TOTAL NET POSITION	64,108,829	58,509,333
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TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 85,809,299</u>	<u>\$ 81,172,149</u>

See Accompanying Notes to the Financial Statements

HINGHAM MUNICIPAL LIGHTING PLANT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

OPERATING FUND

	2024	2023
OPERATING REVENUES:		
Sales of Electricity	\$ 32,050,355	\$ 32,384,298
Other Operating Revenues	1,662,528	1,002,047
	<hr/>	<hr/>
TOTAL OPERATING REVENUES	33,712,883	33,386,345
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OPERATING EXPENSES:		
Operations and Maintenance	26,045,262	26,050,843
Depreciation, Net of Amortization	3,545,747	3,390,030
	<hr/>	<hr/>
TOTAL OPERATING EXPENSES	29,591,009	29,440,873
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OPERATING INCOME	4,121,874	3,945,472
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NONOPERATING REVENUES (EXPENSES):		
Investment Income	1,962,969	1,670,404
Interest Expense	(102,484)	(56,139)
Grant Income	88,622	0
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TOTAL NONOPERATING REVENUES (EXPENSES)	1,949,107	1,614,265
	<hr/>	<hr/>
Income Before Contributions and Transfers	6,070,981	5,559,737
NET POSITION - JANUARY 1	58,509,333	53,454,041
Transfers Out - Payments in Lieu of Taxes	(471,485)	(504,445)
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NET POSITION - DECEMBER 31	\$ 64,108,829	\$ 58,509,333
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See Accompanying Notes to the Financial Statements

HINGHAM MUNICIPAL LIGHTING PLANT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

OPERATING FUND

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 33,789,067	\$ 34,245,896
Cash Paid to Suppliers	(20,805,640)	(20,722,973)
Cash Paid to Employees	(3,969,805)	(3,875,766)
Cash Paid for Benefits	(1,621,682)	(1,466,927)
Payment in Lieu of Taxes	(471,485)	(504,445)
Net Cash Provided by Operating Activities	6,920,455	7,675,785
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:		
Interest Expense	(102,484)	(56,139)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Net Transfers to the Depreciation Fund	(3,599,952)	(3,337,786)
Additions to Plant Assets	(3,482,323)	(5,024,091)
Contribution in Aid of Construction	54,286	49,033
Net Cash Used in Capital and Related Financing Activities	(7,027,989)	(8,312,844)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Income	181,018	169,619
Net Transfers to Rate Stabilization Fund - Green Fund	(599,261)	(184,573)
Net Cash Used in Investing Activities	(418,243)	(14,954)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(628,261)	(708,152)
CASH AND CASH EQUIVALENTS - JANUARY 1	9,021,591	9,729,743
CASH AND CASH EQUIVALENTS - DECEMBER 31	\$ 8,393,330	\$ 9,021,591

See Accompanying Notes to the Financial Statements

HINGHAM MUNICIPAL LIGHTING PLANT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

OPERATING FUND

RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED BY OPERATING ACTIVITIES:

	2024	2023
Operating Income	\$ 4,121,874	\$ 3,945,472
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	3,599,952	3,442,764
Amortization of Contribution in Aid of Construction	(54,205)	(52,734)
Payment in Lieu of Taxes	(471,485)	(504,445)
Rate Stabilization Reserve	327,823	310,108
Reserve for Discount	2,455	(21,884)
Reserve for Green Initiative	(520,179)	507,810
Pension Expense	414,070	528,608
OPEB Expense	(397,323)	280,335
Grant Income	88,622	0
Changes in Assets and Liabilities:		
(Increase) Decrease in Assets:		
Accounts Receivable	150,062	353,484
Accounts Receivable, Related Party	(16,587)	(32,222)
Other Receivables	335,455	36,828
Materials and Supplies	70,529	(514,792)
Prepaid Expenses	(18,410)	(303,210)
Purchased Power Working Capital	(155,193)	(118,247)
Deferred Outflows of Resources Related to Pension	(477,366)	(459,724)
Increase (Decrease) in Liabilities:		
Accounts Payable	4,999	399,923
Accounts Payable - Related Party	(32,960)	27,488
Accrued Expenses	74,179	4,710
Customer Deposits	20,356	15,535
Customer Advances for Construction	16,000	0
Net Other Postemployment Benefits Obligation	(162,213)	(170,022)
Net Cash Provided by Operating Activities	<u>\$ 6,920,455</u>	<u>\$ 7,675,785</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

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

	2024	2023
Operating Cash	\$ 6,108,977	\$ 6,759,234
Customer Deposits	2,030,666	2,008,670
Insurance Reserve Fund	253,687	253,687
	<u>\$ 8,393,330</u>	<u>\$ 9,021,591</u>

See Accompanying Notes to the Financial Statements

HINGHAM MUNICIPAL LIGHTING PLANT
STATEMENTS OF FIDUCIARY NET POSITION
DECEMBER 31, 2024 AND 2023

OTHER POSTEMPLOYMENT BENEFITS (OPEB) TRUST FUND

ASSETS

	<u>2024</u>	<u>2023</u>
Funds on Deposit with Town Treasurer		
Cash and Cash Equivalents	\$ 81,105	\$ 58,686
Investments	<u>2,419,682</u>	<u>2,292,150</u>
	<u>\$ 2,500,787</u>	<u>\$ 2,350,836</u>

FIDUCIARY NET POSITION

FIDUCIARY NET POSITION - Restricted	<u>\$ 2,500,787</u>	<u>\$ 2,350,836</u>
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HINGHAM MUNICIPAL LIGHTING PLANT
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

OTHER POSTEMPLOYMENT BENEFITS (OPEB) TRUST FUND

	<u>2024</u>	<u>2023</u>
Net Investment Income	\$ 149,951	\$ 183,994
FIDUCIARY NET POSITION - January 1	<u>2,350,836</u>	<u>2,166,842</u>
FIDUCIARY NET POSITION - December 31	<u>\$ 2,500,787</u>	<u>\$ 2,350,836</u>

See Accompanying Notes to the Financial Statements

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Reporting Entity

The Hingham Municipal Lighting Plant is a component unit of the Town of Hingham, Massachusetts. The Lighting Plant purchases power from various sources and sells it to the ultimate consumers at rates submitted to the Massachusetts Department of Public Utilities (DPU). The Municipal Lighting Board appoints a manager of municipal lighting who under direction and control of the Municipal Lighting Board, has full charge of the operations and management of the Plant.

Regulation and Basis of Accounting

The Lighting Plant'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 the Lighting Plant 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. While the DPU exercises general supervisory authority over the Lighting Plant, the rates are not subject to DPU approval. Rates must be set such that net earnings from operations do not exceed 8% of the cost of the utility plant.

Utility Plant

The statutory provision for depreciation of utility plant is computed on the straight-line method at three percent of cost of the Lighting Plant's assets in service at the beginning of the year, exclusive of land and land rights. Therefore, no depreciation is taken in the year of the Lighting Plant's additions. Massachusetts law stipulates that the Lighting Plant may change from the statutory depreciation rate only with the approval of the DPU up to five percent. The Lighting Plant used a rate of 5% for 2024 and 2023, respectively. The Lighting Plant charges maintenance and repairs to expense when incurred. Replacements and betterments are charged to the utility plant.

Revenue Recognition

The Department owns and maintains an electric distribution network serving the Town of Hingham, Massachusetts. Distribution revenues are primarily from the sale of electricity to residential, commercial and industrial customers within the Town of Hingham. The rates are designed to recover the costs incurred by the Lighting Plant for products and services provided along with a return on investment.

The performance obligation for electricity sales is to provide electricity to the customer on demand. The electricity supplied represents a single performance obligation as it is a series of distinct goods and services that are substantially the same. The performance obligation is satisfied immediately as the customer simultaneously receives and consumes the electricity as the Lighting Plant provides this service. The Lighting Plant records revenues related to the electricity sales based upon the effective rates and the volume delivered to the customers, which corresponds with the amount the Lighting Plant has the right to invoice.

Revenues are recognized for energy service provided on a monthly billing cycle basis. No recognition is given to the amount of sales to customers, which are unbilled at the end of the accounting period.

Operating expenses are the costs of providing electricity and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

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

Provision for Payment in Lieu of Taxes

The Lighting Plant is exempt from federal income taxes. Although also exempt from property taxes, the Lighting Plant pays amounts in lieu of taxes to the Town of Hingham.

Reclassification

Certain amounts in the 2023 financial statements have been reclassified to conform to the 2024 presentation with no effect on previously reported net income.

Contribution in Aid of Construction

Contributions in Aid of Construction represent non-refundable payments received from consumers and developers for extension of electric services for assets owned and maintained by Hingham Municipal Lighting Plant. 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.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Lighting Plant considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Materials and Supplies

Materials and supplies are valued using the average cost method.

Compensated Absences

In accordance with Plant policies, employees with more than six months, but less than one year of service shall accrue one hour of sick time for every 30 hours of regular scheduled work hours during the first year of employment. Employees shall begin accruing sick time commencing with their date of hire, but employees shall not be entitled to use accrued sick time until the 90th day following commencement of their employment. Employees will accrue 1 day per month for the balance of the calendar year to a maximum of 5 days after their 6-month probationary period. New non-union employees with more than one year of service shall receive ten (10) paid sick days per year. New union employees with more than one year of service shall receive fifteen (15) paid sick days per year.

Union employees are permitted to carry over 10 vacation days from one year to the next. Upon termination of employment with the Lighting Plant, the employee will be paid for unused vacation time based on the employee's base rate of pay at the time of termination. For the years ended December 31, 2024 and 2023 the amounts related to accrued compensated absences were \$114,723 and \$117,061, respectively.

Accounts Receivable

The Lighting Plant carries its accounts receivable at cost. A receivable is considered past due if payments have not been received by the plant within 60 days. At that time, the Lighting Plant will send a delinquent

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

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

Accounts Receivable (continued)

notice specifying a termination date. The termination notice is sent out giving the customer at least seventy-two hours' notice before termination. On a periodic basis, the Lighting Plant does evaluate its accounts receivable to determine if any write-offs are necessary. Accounts receivable are stated net of an allowance for doubtful accounts of \$50,000 for both 2024 and 2023.

Sales Tax

The Lighting Plant 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.

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 Hingham Contributory Retirement 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.

Other Postemployment Benefits (OPEB)

For purposes of measuring the Lighting Plant's OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Hingham Municipal Light Plant's OPEB Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement 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 - CONCENTRATION OF CREDIT RISK:

The Town Treasurer is the custodian of the Hingham Municipal Lighting Plant's cash and investments. The Plant coordinates all investment activity with the Treasurer, who has responsibility for these transactions.

Separate cash and investment pools are maintained for the depreciation fund, customer deposits, insurance reserve fund, rate stabilization funds and other postemployment benefit funds.

Investment policies authorize the investment in obligations of certificates of deposit, money market accounts and bank deposits. Since these investments are held to maturity they are recorded at cost. The treasurer may also invest trust funds in securities which are legal for the investment of funds under the laws of the Commonwealth.

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 2 - CONCENTRATION OF CREDIT RISK (Continued):

Custodial Credit Risk - Deposits

In the event of bank failure, the Plant's deposits may not be returned. Hingham Municipal Lighting Plant's operating and insurance reserve funds are held by the Town Treasurer and are commingled and invested with deposits from other Town funds. Accordingly, it is not practical to disclose the related bank balance and credit risk of such cash deposits for Hingham Municipal Lighting Plant. Funds on deposit with financial institutions are subject to the insurance coverage limits imposed by the Federal Deposit Insurance Corporation (FDIC). The amount of insurance coverage for the Plant's deposits is not determinable because the limits of insurance are computed on a town-wide basis.

Custodial credit risk is the risk that, in the event of bank failure, the Plant's deposits may not be recovered. The Plant has deposits in the Massachusetts Municipal Depository Trust (MMDT), an investment pool established by the State of Massachusetts Treasurer. This investment pool is uninsured and uncollateralized, therefore funds held with this institution are exposed to custodial credit risk. As of December 31, 2024 and 2023 the Plant's balance with the MMDT amounted to \$27,431,956 and \$22,584,290, respectively.

The Plant also has deposits with Eastern Bank which has insurance coverage limits imposed by the FDIC in the amount of \$250,000. The Plant's rate stabilization fund and depreciation fund have deposits with Eastern Bank greater than the FDIC coverage limit. As of December 31, 2024 and 2023 the amount of deposit credit risk over the FDIC limit was \$13,659,273 and \$12,758,536, respectively.

Custodial Credit Risk - Investments

Investment custodial risk is the risk that, in the event of a failure by the counterparty, the Plant will not be able to recover the value of its investments. The Plant invests in U.S. Treasury/Agency Securities, Equity Securities, Mutual Funds and Corporate Bonds. The Plant has a custodial credit risk exposure of the amount invested in equity securities. The Plant tried to keep this risk at a minimum by only allowing a certain percentage of the total investments to be invested in these securities (20-60%) for the OPEB Trust and Depreciation Funds. The investments with Rockland Trust are protected in accordance with the Securities Investor Protection Corporation (SIPC) up to \$500,000 including cash claims up to \$250,000. The Plant's investment credit risk as of December 31, 2024 and 2023 was \$5,113,069 and \$4,553,147, respectively.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment. The Lighting Plant tries to reduce this risk by investing in fixed income investments that mature in less than 5 years.

NOTE 3 - INSURANCE RESERVE FUND:

The Lighting Plant has set up an insurance fund, which is to be used to reduce the future costs of insurance expense. The Lighting Plant keeps the amount separate in their records. The Insurance Reserve Fund balance as of December 31, 2024 and 2023 was \$253,687.

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 4 - RATE STABILIZATION FUND:

The rate stabilization fund was created as an aftermath of 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 As of December 31, 2024 and 2023 was \$8,184,589 and \$7,856,766, respectively. The balance in the fund is offset by a corresponding deferred inflow of resources for the accumulated provision for rate refund.

During 2021, the Board established a Rate Stabilization Fund for Green Initiative. The funds are expected to be used to purchase green power contracts or to enhance green power capital additions. As of December 31, 2024 and 2023, the fund had a balance of \$2,276,167 and \$1,676,896, respectively. The balance in the fund is offset by a corresponding deferred inflow of resources for the accumulated provision for green power which amounted to \$2,237,536 and \$2,757,715 for the years ended December 31, 2024 and 2023, respectively.

NOTE 5 - DEPRECIATION FUND:

Pursuant to provisions of the Commonwealth's General Laws, the Lighting Plant is required to maintain a restricted cash fund to finance utility plant additions. 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. The fund is managed by the Town Treasurer and may be used for the cost of plant, nuclear decommissioning costs, the costs of contractual commitments, and deferred costs related to such commitments which the Municipal Lighting Board determines are above market value.

Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application, provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are described below:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Lighting Plant 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.

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 5 - DEPRECIATION FUND (Continued):

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 Lighting Plant management believes its valuations methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following chart, by level within the fair value hierarchy, the Lighting Plant's investments in the Depreciation at fair value As of December 31, 2024 and 2023. As of December 31, 2024 and 2023, the Lighting Plant did not have any investments that were measured using Level 2 or Level 3 inputs.

Description	December 31, 2024 Quoted Prices in Active Markets for Identical Assets (All Level 1)	December 31, 2023 Quoted Prices in Active Markets for Identical Assets (All Level 1)
<u>FMV Investments:</u>		
US Government Securities	\$ 3,325,710	\$ 3,160,774
<u>Other Securities</u>		
Eastern Bank Savings Account	3,448,528	3,371,874
Massachusetts Municipal Depository Trust	25,401,291	20,583,843
Money Market Funds	36,572	41,537
Total Other Securities	28,886,391	23,997,254
Total	\$ 32,212,101	\$ 27,158,028

As of December 31, 2024, there are no investments in any one issuer (excluding U.S. Treasury securities and mutual funds) that represented 5% or more of the total portfolio value.

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 6 - OTHER RECEIVABLES:

Other receivables consist of the following:

	<u>2024</u>	<u>2023</u>
Merchandise and Jobbing	\$ 45,315	\$ 176,752
Solar Credits Receivable	<u>607,075</u>	<u>811,093</u>
 Total Other Receivables	 <u>\$ 652,390</u>	 <u>\$ 987,845</u>

NOTE 7 - PURCHASED POWER WORKING CAPITAL:

The purchased power working capital are amounts held by power supply agents. Agents are required to hold a set amount of capital from which it may pay our power obligations when due. They replenish the fund as needed from our monthly invoice payments. The income earned allocated to the Lighting Plant will be applied as a credit to monthly power billing. Balances as of December 31, 2024 and 2023 are noted on the following schedule.

	<u>2024</u>	<u>2023</u>
Watson	\$ 370,750	\$ 298,670
MMWEC	1,691	1,643
ENE	<u>1,938,084</u>	<u>1,855,019</u>
 Total	 <u>\$ 2,310,525</u>	 <u>\$ 2,155,332</u>

NOTE 8 - INVESTMENTS:

The Lighting Plant owns shares of Hydro Quebec Phase II stock. The securities are stated at cost. Fair market value approximates stated value.

Hingham Municipal Lighting Plant invested \$150,000 for a 5% ownership interest in Energy New England, LLC. During 2016, the Light Plant invested \$164,920 for an additional 5% ownership interest in Energy New England, LLC for a total investment of \$314,920. Energy New England, LLC, is a nonpublic energy and energy services cooperative formed to aggregate the resources and collective buying power of municipal electric systems. Products and services include power supply/power brokering, risk management, all requirements contracts, total system resource management, consolidated wholesale billing, report preparation and filing and energy market services. The investment is stated at cost. Fair market value approximates stated value.

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 9 - RELATED PARTY:

The Lighting Plant provides electrical service to the Town for all schools, municipal buildings and street lighting at average rates per kilowatt-hour, which approximate those billed to other customers. Revenues from billings to the Town were approximately \$1,896,258 in 2024 and \$1,953,895 in 2023.

Included in the accompanying statements of net assets as of December 31, 2024 and 2023 is \$201,761 and \$185,174, respectively, of amounts due from the Town.

The Town provides to the Lighting Plant, police detail, various insurances and other expenses, which amounted to approximately \$1,592,085 in 2024 and \$1,501,619 in 2023. As of December 31, 2024 and 2023 amounts payable to the Town were \$471,485 and \$504,445, respectively.

In 2024 and 2023, the Lighting Plant made payments in lieu of property taxes to the Town in the amount of \$471,485 and \$504,445, respectively.

NOTE 10 - UTILITY PLANT ASSETS:

Capital Assets activity for the year ending December 31, 2024 was as follows:

	Balance January 1, 2024	Increases	Decreases	Balance December 31, 2024
Capital Assets Not Being Depreciated:				
Land	\$ 434,863	\$ 93	\$ 0	\$ 434,956
Construction in Progress	<u>3,143,728</u>	<u>1,063,410</u>	<u>0</u>	<u>4,207,138</u>
Total Capital Assets Not Being Depreciated	<u>3,578,591</u>	<u>1,063,503</u>	<u>0</u>	<u>4,642,094</u>
Capital Assets Being Depreciated:				
Transmission Plant	1,827,564	83,118	(33,561)	1,877,121
Distribution Plant	51,714,506	1,770,568	0	53,485,074
General Plant	<u>18,457,071</u>	<u>598,695</u>	<u>(29,270)</u>	<u>19,026,496</u>
Total Capital Assets Being Depreciated	<u>71,999,141</u>	<u>2,452,381</u>	<u>(62,831)</u>	<u>74,388,691</u>
Less Accumulated Depreciation for:				
Transmission Plant	(1,794,003)	(1,678)	0	(1,795,681)
Distribution Plant	(39,935,574)	(2,675,428)	0	(42,611,002)
General Plant	<u>(8,372,900)</u>	<u>(922,846)</u>	<u>29,270</u>	<u>(9,266,476)</u>
Total Accumulated Depreciation	<u>(50,102,477)</u>	<u>(3,599,952)</u>	<u>29,270</u>	<u>(53,673,159)</u>
Capital Assets Being Depreciated, Net	<u>21,896,664</u>	<u>(1,147,571)</u>	<u>(33,561)</u>	<u>20,715,532</u>
Utility Plant Assets, Net	<u>\$ 25,475,255</u>	<u>\$ (84,068)</u>	<u>\$ (33,561)</u>	<u>\$ 25,357,626</u>

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 10 - UTILITY PLANT ASSETS (Continued):

Capital Assets activity for the year ending December 31, 2023 was as follows:

	Balance January 1, 2023	Increases	Decreases	Balance December 31, 2023
Capital Assets Not Being Depreciated:				
Land	\$ 434,863	\$ 0	\$ 0	\$ 434,863
Construction in Progress	<u>1,286,146</u>	<u>1,923,512</u>	<u>(65,930)</u>	<u>3,143,728</u>
Total Capital Assets Not Being Depreciated	<u>1,721,009</u>	<u>1,923,512</u>	<u>(65,930)</u>	<u>3,578,591</u>
Capital Assets Being Depreciated:				
Transmission Plant	1,794,003	33,561	0	1,827,564
Distribution Plant	49,482,694	2,254,398	(22,586)	51,714,506
General Plant	<u>17,578,521</u>	<u>878,550</u>	<u>0</u>	<u>18,457,071</u>
Total Capital Assets Being Depreciated	<u>68,855,218</u>	<u>3,166,509</u>	<u>(22,586)</u>	<u>71,999,141</u>
Less Accumulated Depreciation for:				
Transmission Plant	(1,794,003)	0	0	(1,794,003)
Distribution Plant	(37,394,323)	(2,563,837)	22,586	(39,935,574)
General Plant	<u>(7,493,973)</u>	<u>(878,927)</u>	<u>0</u>	<u>(8,372,900)</u>
Total Accumulated Depreciation	<u>(46,682,299)</u>	<u>(3,442,764)</u>	<u>22,586</u>	<u>(50,102,477)</u>
Capital Assets Being Depreciated, Net	<u>22,172,919</u>	<u>(276,255)</u>	<u>0</u>	<u>21,896,664</u>
Utility Plant Assets, Net	<u>\$ 23,893,928</u>	<u>\$ 1,647,257</u>	<u>\$ (65,930)</u>	<u>\$ 25,475,255</u>

Depreciation expense for the years ended December 31, 2024 and 2023 was \$3,599,952 and \$3,442,764, respectively. Depreciation expense reported on the Statements of Revenues, Expenses and Changes in Net Position is net of amortization of \$54,205 and \$52,734 related to contribution in aid of construction for the years ended December 31, 2024 and 2023, respectively.

NOTE 11 - NET INVESTMENT IN CAPITAL ASSETS:

	2024	2023
Cost of Capital Assets Acquired	\$ 79,030,785	\$ 75,577,732
Less: Accumulated Depreciation	<u>(53,673,159)</u>	<u>(50,102,477)</u>
Net Investment in Capital Assets	<u>\$ 25,357,626</u>	<u>\$ 25,475,255</u>

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 12 - NET PENSION LIABILITY:

Plan Description

The Plant, through the Town of Hingham, is a member of the Hingham 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 Hingham Retirement Board at 210 Central Street, Hingham, Massachusetts 02043.

Benefits Provided

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

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

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service if hired after 1978 and if classified in group 1 or 2.

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

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors: including whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veterans' status, and group classification.

Employees who resign from state service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total contributions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

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

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 12 - NET PENSION LIABILITY (Continued):

Contributions

Active members are required to contribute at rates from 5-9% of their gross regular compensation. The percentage rate is keyed to the date upon which an employee's membership commences. Members hired after 1978 contribute an additional 2% of annual pay above \$30,000. The Plant 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 Plant 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.

The Plant's required contributions to the System for the years ended December 31, 2024 and 2023 were \$459,724 and \$477,149, respectively, which were paid during calendar year 2023 and 2022, respectively.

Pension Liabilities

As of December 31, 2024 and 2023, the Plant reported a liability of \$3,449,587 and \$3,966,342, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2023 and 2022, and the total pension liability used to calculate the new pension liability was determined by an actuarial valuation as of January 1, 2024 and January 1, 2022, respectively. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating member units. At the measured date of December 31, 2023 and 2022 the Lighting Plant's portion was 6.53% and 7.250%, respectively.

Pension Expense

For the years ended December 31, 2024 and 2023, the Plant recognized a pension expense of \$414,070 and \$528,608, respectively. For the years ended December 31, 2024 and 2023, the Plant reported deferred outflows of resources and deferred inflows of resources related to pension from the sources listed in the following charts.

<u>Deferred Outflows of Resources Related to Pension</u>	<u>2024</u>	<u>2023</u>
Differences between expected and actual experience	\$ 199,029	\$ 0
Changes of assumptions	45,129	112,952
Net difference between projected and actual earnings on Pension plan investments	433,377	778,228
Changes in proportion and differences between employer contributions and proportionate share at the Plant level	34,217	98,379
Plan contributions subsequent to the measurement date	<u>477,366</u>	<u>459,724</u>
Total	<u>\$ 1,189,118</u>	<u>\$ 1,449,283</u>

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 12 - NET PENSION LIABILITY (Continued):

Pension Expense (continued):

<u>Deferred Inflows of Resources Related to Pension</u>	<u>2024</u>	<u>2023</u>
Differences between expected and actual experience	\$ 16,958	\$ 40,520
Changes in proportion and differences between employer contributions and proportionate share at the Plant level	<u>298,673</u>	<u>81,824</u>
Total	<u>\$ 315,631</u>	<u>\$ 122,344</u>

The Plant's net deferred outflows and inflows of resources related to pensions will be recognized in pension expense as shown below.

Year Ended December 31:

2025	\$ 37,119
2026	114,248
2027	325,327
2028	<u>(80,573)</u>
Total	<u>\$ 396,121</u>

As discussed in the previous paragraph, deferred outflows of resources related to pension as of December 31, 2024 was \$1,189,113 which includes \$477,366 of contributions made subsequent to the measurement date that will be included as a reduction of the net pension liability in the year ended December 31, 2025.

Actuarial Assumptions

The total pension liability as of December 31, 2024 was determined by an actuarial valuation as of January 1, 2024, using the following actuarial assumptions, applied to all periods included in the measurement.

Valuation Date January 1, 2024

Actuarial Cost Method Entry Age Normal

Amortization Method *Unfunded Actuarial Accrued Liability (UAAL):*
Increasing dollar amount at 4% to reduce the Unfunded Actuarial Accrued Liability to zero on or before June 30, 2035. The annual increase in appropriation is further limited to 4.88%.

Asset Valuation Method The Actuarial Value of Assets is the market value of assets as of the valuation date reduced by the sum of:

- a. 80% of gains and losses of the prior year,
- b. 60% of gains and losses of the second prior year,
- c. 40% of gains and losses of the third prior year and
- d. 20% of gains and losses of the fourth prior year.

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 12 - NET PENSION LIABILITY (Continued):

Actuarial Assumptions (continued):

Inflation Rate	2.5% per year
Projected Salary Increases	Group 1: 6% - 4.25%, based on service Group 4: 7% - 4.75%, based on service
Cost of Living Allowance	Cost-of Living Allowances (COLA) are assumed to be 3% per year of the first \$14,000 of annual retirement allowance.
Rates of Retirement	Varies based upon age for general employees, police and fire employees.
Mortality Rates:	
Healthy Retirees	RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2020.
Disabled Retirees	RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2020.
Investment Rate of Return	7.25% per year, net of pension plan investment expense, including inflation.

Investment Policy

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, 2023 are summarized in the table below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Global Equity	37%	4.58%
Core Fixed Income	15%	2.40%
Value-Added Fixed Income	8%	5.30%
Private Equity	16%	7.70%
Real Estate	10%	4.10%
Timberland	4%	4.60%
Portfolio Completion (PCS)	10%	3.90%
Total	100%	

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 12 - NET PENSION LIABILITY (Continued):

Discount Rate

The discount rate used to measure the total pension liability was 7.25% as of the measured dates of December 31, 2024 and 2023. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made in accordance with Sections 22D and 22F of Chapter 32 of the Massachusetts General Laws. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected 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 calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the Net Pension Liability	\$ 5,060,016	\$ 3,449,587	\$ 2,086,045

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Hingham Contributory Retirement System financial report.

NOTE 13 - OTHER POSTEMPLOYMENT BENEFIT (OPEB) TRUST FUND:

The Other Postemployment Benefit Liability Trust Fund was established by vote of the Board of Commissioners on January 10, 2009. The Board voted to accept the provisions of MGS Chapter 32B, Section 20 which establishes a separate Fund and a funding schedule for the Fund. The schedule and any future updates shall be designed, consistent with standards issued by the Governmental Accounting Standards Board, to reduce the unfunded actuarial liability of health care and postemployment benefits to zero as of an actuarially acceptable period of years and to meet the normal costs of all future benefits for which the government unit is obligated. The Trust is under custodianship of the treasurer of the Town of Hingham. The balance in the Trust as of December 31, 2024 and 2023 was \$2,500,787 and \$2,350,836, respectively.

Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application, provides a definition of fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are described as follows:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Department has the ability to access.

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 13 - OTHER POSTEMPLOYMENT BENEFIT (OPEB) TRUST FUND (Continued):

Level 2

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3

Inputs to valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used As of December 31, 2024 and 2023.

- Common Stocks, Corporate Bonds, Municipal Bonds, and U.S. Government Securities:
Valued at closing price as reported on the active market on which the individual securities are traded.
- Mutual Funds:
Valued at the net asset value (NAV) of shares held by the Lighting Plant at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuations methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following sets forth, by level within the fair value hierarchy, the Lighting Plant's investments at fair value As of December 31, 2024 and 2023. As of December 31, 2024 and 2023, the Trust did not have any investments that were measured using Level 2 or Level 3 inputs.

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 13 - OTHER POSTEMPLOYMENT BENEFIT (OPEB) TRUST FUND (Continued):

Description	December 31, 2024 Quoted Prices in Active Markets for Identical Assets (All Level 1)	December 31, 2023 Quoted Prices in Active Markets for Identical Assets (All Level 1)
<u>FMV Investments:</u>		
Corporate Bonds:		
Credit Rating		
AA+	\$ 83,294	\$ 82,791
AA	50,313	39,603
AA-	29,143	28,936
A+	133,065	94,497
A	120,721	95,673
A-	77,663	102,193
Equities	525,640	465,714
Mutual Funds	654,385	638,878
US Government Securities	745,458	743,865
Total FMV Investments	2,419,682	2,292,150
<u>Other Securities</u>		
Money Market	81,105	58,686
Total	\$ 2,500,787	\$ 2,350,836

There were no investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represented 5% or more of total investments as of December 31, 2024.

Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, provides an actuarial cost method and discount rate as well as disclosures and methodologies for reporting plan liabilities and OPEB expenses.

Plan Description

The Town of Hingham 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 the measured date of June 30, 2024 OPEB plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits payments	20
Active plan members	27
	<u>47</u>

Benefits Provided

The Town provides health care benefits for retirees and their dependents. Benefits are provided through the Town and Group Insurance Commissions (GIC), and the full cost of benefits is shared between the Town and retirees.

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 13 - OTHER POSTEMPLOYMENT BENEFIT (OPEB) TRUST FUND (Continued):

Contributions

The Town annual 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 Rockland Trust and may be amended at any time. It is the policy of Rockland Trust to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The OPEB plan's investment policy discourages the use of cash equivalents, except for liquidity purposes in times of market uncertainty, and aims to refrain from dramatically shifting asset class allocations over short time spans.

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 to the ending fair value of OPEB plan investments.

Net OPEB Liability of the Plan

The components of the net OPEB liability as of the measured date of June 30, 2024 and 2023, were as follows:

	<u>2024</u>	<u>2023</u>
Total OPEB Liability	\$ 3,695,332	\$ 4,001,779
Fiduciary Net Position	<u>(2,416,374)</u>	<u>(2,246,279)</u>
Net OPEB Liability	<u>\$ 1,278,958</u>	<u>\$ 1,755,500</u>

Fiduciary net position as a percentage of the total OPEB liability was 65.39% and 56.13% for as of the measured date of June 30, 2024 and 2023, respectively.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2023, using the following assumptions, applied to all periods included in the measurement:

Inflation	2.5% per year
Actuarial Cost Method	Entry Age Normal
Amortization Method	Increasing at 3.5% over 30 years on an open amortization period for partial pre-funding.
Asset Valuation Method	Market Value
Payroll Growth	3.5% per year
Investment rate of return	6.8%, net of investment expenses, including inflation.

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 13 - OTHER POSTEMPLOYMENT BENEFIT (OPEB) TRUST FUND (Continued):

Actuarial Assumptions (continued):

Healthcare cost trend rate	8% for 2023, decreasing 0.5% per year to 6%, then downgrading to an ultimate trend rate of 4%.
Pre-Retirement Mortality- General and Public Safety	RP-2014 Blue Collar, projected with generational mortality improvement using scale MP-2020.
Post-Retirement Mortality- General and Public Safety	RP-2014 Blue Collar, projected with generational mortality improvement using scale MP 2020.

Investment Policy

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 OPEB plan investment expense and inflation) are developed for each major 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 target asset allocation as of the measured date of June 30, 2024 are summarized in the chart below.

<u>Asset Class</u>	<u>Town Target Allocation</u>	<u>Town Long-Term Expected Rate of Return</u>	<u>Light Target Allocation</u>	<u>Light Long-Term Expected Rate of Return</u>
Global Equity	36%	4.58%	27%	6.34%
Private Equity	16%	7.70%	0%	N/A
Core Fixed Income	15%	2.40%	0%	N/A
Value-Added Fixed Income	9%	5.30%	0%	N/A
Domestic Fixed Income	0%	N/A	63%	2.32%
International Fixed Income	0%	N/A	3%	2.46%
Real Estate	10%	4.10%	1%	5.99%
Timberland	4%	4.60%	0%	N/A
Portfolio Completion Strategies	10%	3.90%	0%	N/A
Overlay	0%	0.00%	0%	N/A
Alternatives	0%	0.00%	5%	4.33%
Cash and Cash Equivalents	0%	0.00%	1%	0.59%
Total	100%		100%	

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 13 - OTHER POSTEMPLOYMENT BENEFIT (OPEB) TRUST FUND (Continued):

Discount Rate

The discount rate used to measure the total OPEB liability was 6.8% as of the measured date of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions from the Town will be made in accordance with the Plan's funding policy. Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liability calculated using the discount rate of 6.8%, as well as what the net OPEB liability would be if it were calculated using a discount rate 1-percentage point lower (5.8%) or 1-percentage point higher (7.8%) than the current rate:

	1% Decrease (5.8%)	Current Discount Rate (6.8%)	1% Increase (7.8%)
Net OPEB Liability	\$ 1,807,832	\$ 1,278,958	\$ 848,129

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The table on the following page 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 healthcare cost trend rates that are 1-percentage point lower (6.5% year 1 decreasing to 2.9%) or 1-percentage point higher (8.5% year 1 decreasing to 4.9%) than the current healthcare cost trend rates.

	1% Decrease 7% Year 1 Decreasing to 3%	Current Healthcare Cost Trend Rates 8% Year 1 Decreasing to 4%	1% Increase 9% Year 1 Decreasing to 5%
Net OPEB Liability	\$ 791,409	\$ 1,278,958	\$ 1,888,866

NOTE 14 - NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY:

The Lighting Plant implemented GASB Statement 75, *Accounting and financial Reporting for Postemployment Benefits Other than Pensions*, provides an actuarial cost method and discount rate as well as disclosures and methodologies for reporting employer liabilities and OPEB expenses.

Plan Description

The Town of Hingham 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.

Benefits Provided

The Town provides health care benefits for retirees and their dependents. Benefits are provided through the Town and Group Insurance Commission, and the full cost of benefits is shared between the Town and retirees.

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 14 - NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY:

Contributions

The Town annually contributes an actuarially determined contribution based on the results of the most recent actuarial valuation.

OPEB Liabilities

As of December 31, 2024 and 2023, the Lighting Plant reported a liability of \$1,278,958 and \$1,755,500, respectively, for its net OPEB liability. The 2024 and 2023 net OPEB liability was measured as of June 30, 2024 and 2023, and was determined by an actuarial valuation as of July 1, 2023.

OPEB Expense

For the years ended December 31, 2024 and 2023, the Lighting Plant recognized an OPEB income of \$397,323 and expense of \$280,335, respectively. As of December 31, 2024 and 2023, the Lighting Plant reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources below.

<u>Deferred Outflows of Resources Related to OPEB</u>	<u>2024</u>	<u>2023</u>
Changes of assumptions	\$ 396,413	\$ 320,825
Net difference between projected and actual earnings on OPEB plan investments	<u>0</u>	<u>45,229</u>
Total	<u>\$ 396,413</u>	<u>\$ 366,054</u>
<u>Deferred Inflows of Resources Related to OPEB</u>		
Differences between expected and actual experience	\$ 274,062	\$ 312,728
Changes of Assumptions	85,841	105,340
Earnings on OPEB Plan Investments	<u>5,530</u>	<u>0</u>
Total	<u>\$ 365,433</u>	<u>\$ 418,068</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the Lighting Plant's OPEB expense as follows:

Net Deferred Outflows/Inflows of Resources Related to OPEB

For the Years Ended December 31:

2025	\$ (12,512)
2026	(4,216)
2027	15,250
2028	(617)
2029	19,245
Thereafter	<u>13,830</u>
Total	<u>\$ 30,980</u>

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 14 - NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY (Continued):

GASB 75 requires the disclosure of actuarial assumptions, plan membership, the discount rate, and sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. Refer to the previous note "Other Postemployment Benefit Trust Fund" for these disclosures.

NOTE 15 - RISK MANAGEMENT:

Self-Insurance Trust

The Lighting Plant participates in Massachusetts Municipal Utility Self-Insurance Trust Fund (the Trust) with 17 other municipalities for the purpose of sharing excess liability and officers' liability risks. Through the Trust, general liability coverage provides for \$500,000 per occurrence, with a \$50,000 deductible that would be paid by the Lighting Plant. Environmental insurance coverage provides for \$1,500,000 per occurrence, with a \$100,000 deductible that would be paid by the Plant and the Trust Fund. Each participating municipality contributes to the Trust based on its share of the group's total kilowatt-hour sales. Payments for claims over the deductible limit are funded by Trust assets or, if required, additional contributions from the participants.

The Town is also self-insured for those employees electing indemnity plans. The Town also provides preferred provider health plans, which are premium-based health plans, for the employees not electing indemnity plans.

The Town is self-insured for other general liability; however Chapter 258 of the Massachusetts General Laws limits the liability to a maximum of \$100,000 per claim in all matters except actions relating to federal/civil rights, eminent domain and breach of contract.

Generally accepted accounting principles requires that liabilities for self-insured claims be reported if it is probable that a loss has been incurred and the amount can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. As of December 31, 2024 and 2023, the Lighting Plant considers its pro rata share of these losses to be immaterial to its financial statements.

NOTE 16 - COMMITMENTS AND CONTINGENCIES:

The Lighting Plant is subject to various legal proceedings covering a range of matters that arise in the ordinary course of its business activities. No provision for loss on litigation and/or claims has been made. Management and legal counsel do not anticipate that any related settlement would have a material adverse effect on the Lighting Plant's financial position.

Current Power Purchase Commitments

Hingham Municipal Lighting Plant (HMLP) has entered into various power contracts through Energy New England (ENE), as their acting agent. These power contracts began in 2008 and some go through to the life of the unit.

HMLP is a .5% entitlement owner in the Seabrook nuclear power plant and is entitled to almost 6MW. The average 2024 and 2023 energy price for Seabrook was \$0.00466/kWh and \$0.00454/kWh, respectively. This contract is a life of unit contract.

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 16 - COMMITMENTS AND CONTINGENCIES (Continued):

Current Power Purchase Commitments (continued):

HMLP is a 0.1% entitlement owner in the Millstone nuclear power plant and is entitled to almost 1 ¼ MW. The average 2024 and 2023 energy price for Millstone was \$0.00643/kWh and \$0.00607/kWh, respectively. This contract is a life of unit contract.

HMLP is a 6% entitlement owner in the Brown Bear (formerly Miller Hydro) plant for hydroelectric renewable energy and is entitled to almost 1.2 MW. Contracted through 2025. The average 2024 and 2023 energy price for Brown Bear was \$0.05036/kWh and \$0.04952/kWh, respectively.

HMLP has entered into a 15-year contract terminating in 2026 with Spruce Mountain Wind Farm for renewable wind energy. HMLP has an ownership entitlement of 9% with a commitment to purchase almost 2 MW. The average 2024 and 2023 energy price for Spruce Mountain Wind was \$0.09925/kWh.

HMLP has entered into a 20-year contract terminating in 2035 with Saddleback Ridge Wind for renewable wind energy. HMLP has an ownership entitlement of 5.6% with a commitment to purchase almost 2 MW. The average 2024 and 2023 energy price for Saddleback Ridge Wind was \$0.09486/kWh and \$0.09418/kWh, respectively.

HMLP has entered into a 20-year contract terminating in 2037 with Canton Mountain. HMLP has an ownership entitlement of 7.25% in this 20 MW facility, which should provide about 5,000 megawatt-hours of electricity annually for the Lighting Plant. The average 2024 and 2023 energy price for Canton Mountain Wind was \$0.10791/kWh and \$0.10685/kWh, respectively.

HMLP has entered into a 25-year contract terminating in 2041 with NUGen - Harrington St. PV for renewable solar energy. HMLP has an ownership entitlement of 20 % in each of the two 5.996 MW DC facilities. Each facility is projected to produce about 7,000 megawatt-hours of electricity each year, with a degradation of approximately 0.5% annually. In 2024 and 2023, these two facilities produced a combined 2,650,836 kWh and 2,770,410 kWh of electricity, respectively. For an average cost of \$0.06870/kWh and \$0.06767/kWh, respectively.

HMLP has entered in a 19-year contract terminating in 2037 with Granite Reliable Power for renewable wind energy. The project began delivering power on January 1, 2019, and has thirty-three (33) wind turbines each having a nameplate rating of 3 megawatts in the Town of Coos County, New Hampshire. HMLP has an ownership entitlement of 1.1% in this facility which meant we received about 1.09MW of electricity. The average 2024 and 2023 energy price for Granite Wind was \$0.07433/kWh and \$0.07108/kWh, respectively.

HMLP is a 2% entitlement owner in the NYPA Hydro Base and Peaking plants for hydroelectric renewable energy. The contracts are life of unit contracts. The average 2024 and 2023 energy price for the NYPA units was \$0.00544/kWh and \$.00549/kWh, respectfully.

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 16 - COMMITMENTS AND CONTINGENCIES (Continued):

Current Power Purchase Commitments (continued)

HMLP has entered into a contract with Firstlight Power Resources, a hydroelectric generating facility entity, located in Connecticut commencing in March of 2019 and commencing through the end of 2023. We are entitled to 3.55% of the Shepaug hydroelectric station's output and 2.51% of the Stevenson hydroelectric station's output. Between both plants we received approximately 6,516,526 kWh and the average 2024 and 2023 energy price for Firstlight electricity was \$0.05001/kWh and \$0.05052/kWh, respectively.

HMLP has entered into a contract with FirstLight Power Resources, a hydroelectric generating facility entity, located in Connecticut commencing in January of 2021 through the end of 2030. In 2022 HMLP contracted for 2.20% On-Peak and 1.32% Off-Peak of the Cabot & Turners Falls hydroelectric station's output. Between both plants, HMLP received approximately 8,975,425kWh and the average 2024 and 2023 energy price for Cabot/Turners Falls electricity was \$0.07795/kWh and \$0.04405/kWh, respectively.

HMLP has entered into a contract with Braintree Electric Light Department as a 10% entitlement owner to the Watson Power Plant. This purchase power contract is effective from 2009 thru 2029. Watson Units 1 and 2 entitle HMLP to 11.4 MWs. They are primarily natural gas fired but can burn oil if needed for reliability. The average 2024 and 2023 energy price for Watson was \$0.06445/kWh and \$0.08105kWh. HMLP had a 2.3% entitlement ownership of to Potter 2 CC. As of January 12, 2024, Potter 2 CC assets have been removed from the New England ISO bidding market. The last capacity settlement for Potter 2 CC was May 31, 2024. All fixed costs for Potter 2 CC have been terminated as of May 31, 2024.

HMLP is an entitlement owner in the Stony Brook Intermediate (4%) and Peaking (5.33%) units. The Intermediate units can run on either gas or oil while the peaking unit runs on oil. Units 1A, B and C of the Intermediate units entitle HMLP to a total of 14MW. Units 2A and B of the Peaking units entitle HMLP to a total of 9.2MW. The contracts are for the life of the units. The average 2024 and 2023 energy price for the Peaking units was \$0.28378/kWh and \$0.27593/kWh, respectively. The average 2024 and 2023 energy price for the Intermediate units was \$0.06166/kWh and \$0.14721/kWh, respectively.

HMLP has other contracts with various generators which allows for the purchase of energy when various price points come into play, including the contract that started on January 1, 2020. In 2024 and 2023, the companies HMLP bought from under these agreements were NextEra. For NextEra the average per kWh price was \$0.04690 and \$0.05005, respectively. During 2024 and 2023, Shell Energy's average per kWh price was \$0.06657 and \$0.07907, respectively.

Additionally, HMLP has the ability to purchase from ISO-New England's Energy Interchange. In 2024 and 2023, HMLP paid \$0.05809/kWh and \$0.05655/kWh for energy through ISO-New England.

MMWEC Contingencies and Liabilities

Town of Hingham acting through its Light Department is a Participant in certain Projects of the Massachusetts Municipal Wholesale Electric Company (MMWEC).

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 16 - COMMITMENTS AND CONTINGENCIES (Continued):

MMWEC Contingencies and Liabilities (continued)

MMWEC is a public corporation and a political subdivision of the Commonwealth of Massachusetts, created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in, and to issue revenue bonds to finance, electric facilities (Projects). MMWEC has acquired ownership interests in electric facilities operated by other entities and also owns and operates its own electric facilities. MMWEC operates the Stony Brook Intermediate Project and the Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has the Nuclear Mix No 1 Project, Nuclear Project Three, Nuclear Project Four, Nuclear Project Five and Project Six, which comprise an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by NextEra Energy Seabrook, LLC and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit, operated by Dominion Nuclear Connecticut, Inc. The operating license for Seabrook Station extends to March 15, 2050. The operating license for the Millstone Unit 3 nuclear unit extends to November 25, 2045.

MMWEC sells all of the capability (Project Capability) of each of its Projects to its Members and other utilities (Project Participants) under Power Sales Agreements (PSAs). The Lighting Plant has entered into PSAs with MMWEC. Under the PSAs the Plant is required to make certain payments to MMWEC payable solely from Municipal Light Plant revenues. Among other things, the PSAs require each Project Participant to pay its pro rata share of MMWEC's costs related to the Project, which costs include debt service on the revenue bonds issued by MMWEC to finance the Project. In addition, should a Project Participant fail to make any payment when due, other Project Participants of that Project may be required to increase (step-up) their payments and correspondingly their Participant's share of that Project's Project Capability. Project Participants have covenanted to fix, revise and collect rates at least sufficient to meet their obligations under the PSAs. Each Participant is unconditionally obligated to make payments due to MMWEC whether or not the Project(s) is completed or operating and notwithstanding the suspension or interruption of the output of the Project(s).

Pursuant to the PSAs, the MMWEC Project Participants are liable for their proportionate share of the costs associated with decommissioning the plants, which are funded through monthly Project billings, as needed. Also, the Millstone and Seabrook Project Participants are liable for their proportionate share of the uninsured costs of a nuclear incident that might be imposed under the Price-Anderson Act (Act). Originally enacted in 1957, the Act has been renewed several times. In July 2005, as part of the Energy Policy Act of 2005, Congress extended the Act until the end of 2025.

MMWEC is involved in various legal actions. In the opinion of management, the outcome of such litigation or claims will not have a material adverse effect on the financial position of the company.

The total capital expenditures and annual capacity, fuel and transmission costs (which include debt service and decommissioning expenses as discussed above), and amount of required debt service payments (if applicable) under the PSAs associated with the Plant's Project Capability of the Projects in which it participates for the years ended December 31, 2024 and 2023, respectively are listed in the table on the following page.

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 16 - COMMITMENTS AND CONTINGENCIES (Continued):

MMWEC Contingencies and Liabilities (continued)

<u>Projects</u>	<u>Percentage Share</u>	<u>Total Capital Expenditures 2024</u>	<u>Capacity, Fuel, Transmission & Capital Cost Component Billed 2024</u>	<u>Capacity, Fuel, Transmission & Capital Cost Component Billed 2023</u>
Stony Brook Peaking	5.3307%	\$ 3,402,785	\$ 379,821	\$ 308,102
Stony Brook Int.	4.3870%	8,051,828	707,353	678,730
Nuclear Mix 1-SBK	3.4281%	360,637	17,926	16,581
Nuclear Mix 1-MLS	3.4281%	2,231,684	236,588	196,147
Nuclear Project 3-MLS	1.4311%	2,248,661	196,127	162,408
Nuclear Project 4-SBK	3.4180%	10,606,993	469,513	434,216
Nuclear Project 5-SBK	1.6644%	1,395,939	59,069	54,734
Project No. 6-SBK	5.0331%	<u>28,784,450</u>	<u>960,560</u>	<u>888,339</u>
		<u>\$ 57,082,977</u>	<u>\$ 3,026,957</u>	<u>\$ 2,739,257</u>

HINGHAM MUNICIPAL LIGHTING PLANT
REQUIRED SUPPLEMENTARY INFORMATION
NET PENSION LIABILITY

OPERATING FUND

For the Year Ending December 31,	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarial Valuation Date	1/1/2024	1/1/2022	1/1/2022	1/1/2020	1/1/2020	1/1/2018	1/1/2018	1/1/2016	1/1/2016	1/1/2014
Measurement Date	12/31/2023	12/31/2022	12/31/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014

**Schedule of the Department's Proportionate Share
of the Net Pension Liability (NPL):**

Plant's Portion of the NPL	6.5287%	7.2504%	7.4211%	7.2747%	7.3656%	6.8699%	6.9651%	6.1815%	6.2142%	5.9032%
Plant's Proportionate Share of the NPL	\$ 3,449,587	\$ 3,966,342	\$ 1,839,195	\$ 3,104,781	\$ 3,586,293	\$ 3,763,750	\$ 2,968,051	\$ 3,353,532	\$ 3,309,805	\$ 2,349,591
Covered Payroll	\$ 3,126,544	\$ 3,017,149	\$ 2,683,383	\$ 2,938,339	\$ 2,841,611	\$ 2,471,404	\$ 2,510,092	\$ 3,218,083	\$ 2,885,804	\$ 2,850,178
NPL as a Percentage of Covered Payroll	110.33%	131.46%	68.54%	105.66%	126.21%	152.29%	118.24%	104.21%	114.69%	82.44%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	76.10%	73.70%	87.56%	64.21%	70.93%	67.76%	73.71%	65.39%	64.21%	70.93%

Schedule of Contributions:

Actuarially Determined Contributions	\$ 459,724	\$ 477,149	\$ 456,431	\$ 418,153	\$ 397,538	\$ 348,157	\$ 331,435	\$ 279,906	\$ 272,180	\$ 246,899
Less: Contributions in Relation to the Actuarially Determined Contribution	(459,724)	(477,149)	(456,431)	(418,153)	(397,538)	(348,157)	(331,435)	(279,906)	(272,180)	(246,899)
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Payroll	\$ 3,126,544	\$ 3,017,149	\$ 2,683,383	\$ 2,938,339	\$ 2,841,611	\$ 2,471,404	\$ 2,510,092	\$ 3,218,083	\$ 2,885,804	\$ 2,850,178
Contributions as a Percentage of Covered Payroll	14.70%	15.81%	17.01%	14.23%	13.99%	14.09%	13.20%	8.70%	9.43%	8.66%

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HINGHAM MUNICIPAL LIGHTING PLANT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF CHANGES IN THE NET OPEB LIABILITY

OPERATING AND OPEB TRUST FUND

	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability:								
Service Cost	\$ 114,573	\$ 128,892	\$ 135,226	\$ 133,402	\$ 152,302	\$ 72,184	\$ 74,350	\$ 61,714
Interest	266,326	253,280	252,203	239,513	230,488	214,781	190,960	180,144
Difference Between Expected and Actual Experience	(1,060,560)	0	(167,268)	0	(90,855)	0	259,916	0
Changes of Benefit Terms	402,266	0	0	0	(24,117)	0	(295,512)	0
Changes of Assumptions	133,161	(4,063)	(41,969)	185,712	163,818	94,640	299,248	0
Benefit Payments	(162,213)	(170,022)	(141,056)	(180,566)	(159,976)	(132,678)	(121,417)	(108,438)
Net Change in Total OPEB Liability	(306,447)	208,087	37,136	378,061	271,660	248,927	407,545	133,420
Total OPEB Liability - Beginning	4,001,779	3,793,692	3,756,556	3,378,495	3,106,835	2,857,908	2,450,363	2,316,943
Total OPEB Liability - Ending	<u>\$ 3,695,332</u>	<u>\$ 4,001,779</u>	<u>\$ 3,793,692</u>	<u>\$ 3,756,556</u>	<u>\$ 3,378,495</u>	<u>\$ 3,106,835</u>	<u>\$ 2,857,908</u>	<u>\$ 2,450,363</u>
Plan Fiduciary Net Position:								
Contributions-Employer	\$ 162,213	\$ 170,022	\$ 141,056	\$ 180,566	\$ 159,976	\$ 132,678	\$ 121,417	\$ 108,438
Net Investment Income/(Loss)	170,095	86,206	(145,976)	234,349	95,014	114,398	51,217	45,343
Benefit Payments	(162,213)	(170,022)	(141,056)	(180,566)	(159,976)	(132,678)	(121,417)	(108,438)
Administrative Expenses	0	0	0	0	0	0	(7,238)	(619)
Net Change in Plan Fiduciary Net Position	170,095	86,206	(145,976)	234,349	95,014	114,398	43,979	44,724
Plan Fiduciary Net Position - Beginning	2,246,279	2,160,073	2,306,049	2,071,700	1,976,686	1,862,288	1,818,309	1,773,585
Plan Fiduciary Net Position - Ending	<u>\$ 2,416,374</u>	<u>\$ 2,246,279</u>	<u>\$ 2,160,073</u>	<u>\$ 2,306,049</u>	<u>\$ 2,071,700</u>	<u>\$ 1,976,686</u>	<u>\$ 1,862,288</u>	<u>\$ 1,818,309</u>
Net OPEB Liability - Ending	<u>\$ 1,278,958</u>	<u>\$ 1,755,500</u>	<u>\$ 1,633,619</u>	<u>\$ 1,450,507</u>	<u>\$ 1,306,795</u>	<u>\$ 1,130,149</u>	<u>\$ 995,620</u>	<u>\$ 632,054</u>

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

See Independent Auditors' Report

HINGHAM MUNICIPAL LIGHTING PLANT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF NET OPEB LIABILITY, EMPLOYER CONTRIBUTIONS AND INVESTMENT RETURNS

	OPERATING AND OPEB TRUST FUND							
	2024	2023	2022	2021	2020	2019	2018	2017
Schedules of Net OPEB Liability:								
Total OPEB Liability	\$ 3,695,332	\$ 4,001,779	\$ 3,793,692	\$ 3,756,556	\$ 3,378,495	\$ 3,106,835	\$ 2,857,908	\$ 2,450,363
Plan Fiduciary Net Position	(2,416,374)	(2,246,279)	(2,160,073)	(2,306,049)	(2,071,700)	(1,976,686)	(1,862,288)	(1,818,309)
Net OPEB Liability	<u>\$ 1,278,958</u>	<u>\$ 1,755,500</u>	<u>\$ 1,633,619</u>	<u>\$ 1,450,507</u>	<u>\$ 1,306,795</u>	<u>\$ 1,130,149</u>	<u>\$ 995,620</u>	<u>\$ 632,054</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	65.39%	56.13%	56.94%	61.39%	61.32%	63.62%	65.16%	74.21%
Total Employee Payroll	\$ 3,969,805	\$ 3,875,766	\$ 3,679,668	\$ 3,640,586	\$ 3,652,615	\$ 3,457,001	\$ 3,237,742	\$ 3,218,083
Net OPEB Liability as a Percentage of Covered Payroll	32.22%	45.29%	44.40%	39.84%	35.78%	32.69%	30.75%	19.64%
Schedules of Employer Contributions:								
Actuarially Determined Contributions	\$ 214,777	\$ 223,608	\$ 220,697	\$ 215,190	\$ 227,919	\$ 136,212	\$ 118,438	\$ 86,796
Less: Contributions in relation to the actuarially determined contribution	(162,213)	(170,022)	(141,056)	(180,566)	(159,976)	(132,678)	(121,417)	(108,438)
Contribution Deficiency (Excess)	<u>\$ 52,564</u>	<u>\$ 53,586</u>	<u>\$ 79,641</u>	<u>\$ 34,624</u>	<u>\$ 67,943</u>	<u>\$ 3,534</u>	<u>\$ (2,979)</u>	<u>\$ (21,642)</u>
Total Employee Payroll	\$ 3,969,805	\$ 3,875,766	\$ 3,679,668	\$ 3,640,586	\$ 3,652,615	\$ 3,457,001	\$ 3,237,742	\$ 3,218,083
Contributions as a percentage of covered payroll	4.09%	4.39%	3.83%	4.96%	4.38%	3.84%	3.75%	3.37%
Schedules of Investment Returns:								
Annual Money-Weighted rate of Return, net of investment expenses	5.56%	5.56%	-4.37%	27.45%	2.02%	6.00%	8.91%	11.67%

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.

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HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
OPERATING FUND AND OPEB TRUST FUND

NOTE A - NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY:

Changes in Assumptions

The discount rate increased from 6.6% as of June 30, 2023, to 6.8% as of June 30, 2024.

HINGHAM MUNICIPAL LIGHTING PLANT
SCHEDULES OF SALES OF ELECTRICITY
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

OPERATING FUND

	<u>2024</u>	<u>2023</u>
SALES OF ELECTRICITY:		
Residential	\$ 16,845,859	\$ 16,565,103
Commercial and Industrial	13,214,073	13,771,350
Municipal	1,896,258	1,953,895
Security Lighting	<u>94,165</u>	<u>93,950</u>
TOTAL SALES OF ELECTRICITY	<u><u>\$ 32,050,355</u></u>	<u><u>\$ 32,384,298</u></u>

See Independent Auditors' Report

HINGHAM MUNICIPAL LIGHTING PLANT
SCHEDULES OF OPERATION AND MAINTENANCE EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

OPERATING FUND

	2024	2023
POWER PRODUCTION EXPENSES:		
Purchased Power	\$ 19,792,364	\$ 19,062,256
Other Purchased Power	651,507	608,308
Total Power Production Expenses	20,443,871	19,670,564
DISTRIBUTION EXPENSES:		
Miscellaneous Distribution Expenses	908,951	941,728
MAINTENANCE EXPENSES:		
Maintenance of Lines	847,740	942,075
Maintenance - Other	15,468	5,328
Total Maintenance Expenses	863,208	947,403
CUSTOMER ACCOUNTS:		
Customer Accounting and Collection Expense	1,205,847	1,289,579
Uncollectible Accounts	28,397	1,232
Meter Reading Expense	105,620	141,403
Total Customer Accounts	1,339,864	1,432,214
GENERAL AND ADMINISTRATIVE EXPENSES:		
Administrative and General Salaries	349,767	370,812
Office Supplies and Expenses	32,076	48,153
Outside Services Employed	463,121	469,728
Property Insurance	200,298	206,726
Employees' Pension and Benefits	998,850	1,646,124
Dues, Meetings and Other General Expenses	88,730	86,057
Transportation	140,601	154,408
Maintenance of General Plant	215,925	76,926
Total General and Administrative Expenses	2,489,368	3,058,934
TOTAL OPERATION AND MAINTENANCE EXPENSES	\$ 26,045,262	\$ 26,050,843

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