

HINGHAM MUNICIPAL LIGHTING PLANT
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DECEMBER 31, 2004 AND 2003

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INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
Hingham Municipal Lighting Plant

We have audited the accompanying financial statements of Hingham Municipal Lighting Plant of Hingham, Massachusetts, as of and for the years ended December 31, 2004 and 2003 as listed in the table of contents. These financial statements are the responsibility of the Lighting Plant's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2-5 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Goulet, Salvidio & Associates, P.C.

Goulet, Salvidio & Associates, P.C.

Worcester, Massachusetts
March 23, 2005

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, 2004 and 2003. 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 assets (2) the statements of revenues, expenses and changes in net assets (3) the cash flow statements and (4) notes to the financial statements.

The Statements of Net Assets are designed to indicate our financial position as of a specific point in time. At December 31, 2004, it shows our net worth has increased 4.2% over the year ended December 31, 2003.

The Statements of Revenues, Expenses and Changes in Net Assets, summarizes our operating results and reveals how much of a profit was earned for the year. As discussed in more detail below, our net profit for the year ended December 31, 2004 and 2003 was \$1,244,396 and \$579,001, 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 Assets - Operating Fund

	<u>2004</u>	<u>2003</u>
Current Assets	\$ 6,419,584	\$ 6,152,016
Non-current Assets	<u>23,429,696</u>	<u>21,500,390</u>
Total Assets	<u>\$ 29,849,280</u>	<u>\$ 27,652,406</u>
Current Liabilities	\$ 2,998,574	\$ 2,053,220
Non-current Liabilities	<u>3,538,754</u>	<u>3,257,031</u>
Total Liabilities	<u>6,537,328</u>	<u>5,310,251</u>
Net Assets:		
Restricted for Debt Service	3,468,000	3,227,745
Invested in Capital Assets, Net of Related Debt	13,225,225	13,155,159
Unrestricted	<u>6,618,727</u>	<u>5,959,251</u>
Total Net Assets	<u>23,311,952</u>	<u>22,342,155</u>
Total Liabilities and Net Assets	<u>\$ 29,849,280</u>	<u>\$ 27,652,406</u>

Summary of Changes in Net Assets – Operating Fund

	2004	2003
Operating Revenues	\$ 18,636,458	\$ 16,677,112
Operating Expenses	17,382,648	16,068,149
Operating Income	1,253,810	608,963
Non-operating Revenues (Expenses)	(9,414)	(29,962)
Income Before Contributions and Transfers	1,244,396	579,001
Transfers In – Restricted for Capital Projects	245,376	182,299
Transfers Out – Payments in Lieu of Taxes	(519,975)	(509,500)
Beginning Net Assets	22,342,155	22,090,355
Ending Net Assets	\$ 23,311,952	\$ 22,342,155

The Hingham Municipal Lighting Plant is experiencing significant growth in its system. The company is expanding its infrastructure to accommodate the increase capacity need. The projected timeframe of the expansion is three to five years. This growth will require capital spending by the Light Plant to provide the facilities necessary to accommodate the new customers and development. The Light Plant continues to improve its reliability by funding a maintenance and replacement program for the areas in the Town where it is required.

Financial Highlights:

Operating revenues increased \$1,959,346 in 2004 or approximately 11.7%. This increase in revenue can be attributed to an increase in kwhs sold and a higher Power Cost Adjustment (PCA).

Operating expenses increased \$1,314,499 in 2004, or approximately 8.1%. This increase in expenses can be attributed to an increase in purchased power and fuel expenses.

Utility Plant and Debt Administration:

Debt Administration

Bonds outstanding at year-end 2004 was \$970,000, a reduction of \$305,000 from the prior year. The current portion of long-term debt at year-end 2004 in the amount of \$325,000 will be paid in 2005.

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 Massachusetts Electric Company, have been required to sell their generation assets as a result of the same restructuring laws.

The generation assets, which we have a vested ownership in, along with the other municipal electrical systems in New England, are financed through municipal bonds. The collective debt owed under these bonds stand today at approximately \$856 million of which Hingham Municipal Lighting Plant's share is just over \$31.5 million. The interest has been, and will continue to be paid with revenues received from the sales of electricity.

Utility Plant and Debt Administration (continued):

In an effort to ensure stable costs for electricity in future years the Hingham Municipal Lighting Plant, acting in conjunction with the Massachusetts Municipal Wholesale Electric Company, conducted a bond refinancing in 2001. This refinancing is expected to save \$4.4 million in interest over the life of the bonds.

Though we will not gain any immediate benefit from the refinancing, it is part of a longer-term, strategic effort to maintain the competitive rates and reliable electric service into the future. The bulk of the savings from the refinancing program will be used to stabilize our power costs beginning in 2010. During this timeframe, competition in the power markets is expected to intensify, and reduced debt service will place us in a better position to control costs.

Utility Plant

Net utility plant decreased by \$234,934 from 2003. This decrease is the difference between the current year additions of \$1,139,103 and the annual depreciation write off of \$1,374,037. During 2004, the Lighting Plant purchased poles and fixtures, which accounted for 10% of current year additions and underground conductors and transformers placed in service accounted for approximately 65%.

In an effort to keep power outages to a minimum, Hingham Municipal Lighting Plant completed a mapping of the town's electrical distribution system. This will greatly assist the linemen in locating and switching circuits. The Lighting Plant will have the capability to locate where the poles, transformers, meters, and other types of services that are on the mapping system.

Significant Balances and Transactions:

Retirement Trust Fund

The Retirement Trust Fund's purpose is to directly reimburse the Town of Hingham for retirement costs attributable to Hingham Municipal 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.

Rate Stabilization Fund

The board voted to establish a rate stabilization fund as an aftermath of deregulation. We will use this fund to help us maintain our competitive position when the investor-owned utilities are no longer collecting their "stranded costs*" several years down the line. When that happens, we will use the rate stabilization fund to mitigate our higher costs until our own stranded costs are paid off. Our rate stabilization balance at December 31, 2004 and 2003 was \$2,092,298 and \$1,667,805, respectively.

- * Stranded costs refer to long-term debt or contractual obligations previously incurred that are higher than the new market costs. The investor-owned utilities were required to sell their generation assets as a condition to recover their stranded costs. The proceeds from the sales were used to pay off some of their costs. In place of owning generation, we have long-term power contracts.

Depreciation Fund

Hingham Municipal 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.

Significant Balances and Transactions (continued):

Purchased Power Working Capital

The purchased power working capital is an amount held by Massachusetts Municipal Wholesale Electric Company (MMWEC), our power supply agent. MMWEC 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 ASSETS
 DECEMBER 31, 2004 AND 2003

OPERATING FUND

ASSETS

	2004	2003
CURRENT ASSETS:		
Funds on Deposit with Town Treasurer		
Operating Cash	\$ 1,579,273	\$ 2,256,309
Accounts Receivable, Net	2,794,584	2,409,253
Materials and Supplies	645,225	300,643
Prepaid Power Contracts	1,060,427	888,236
Purchased Power Working Capital	340,075	297,575
TOTAL CURRENT ASSETS	6,419,584	6,152,016
NONCURRENT ASSETS:		
Funds on Deposit with Town Treasurer		
Depreciation Fund	5,999,583	4,554,219
Customer Deposits	816,603	511,317
Insurance Reserve Fund	253,687	253,687
Rate Stabilization Fund	2,092,298	1,667,805
Investments	56,193	61,727
Unamortized Debt Discount	16,107	21,476
Utility Plant Assets, Net	14,195,225	14,430,159
TOTAL NONCURRENT ASSETS	23,429,696	21,500,390
TOTAL ASSETS	\$ 29,849,280	\$ 27,652,406

See Accompanying Notes To Financial Statements

HINGHAM MUNICIPAL LIGHTING PLANT
STATEMENTS OF NET ASSETS
DECEMBER 31, 2004 AND 2003

OPERATING FUND

LIABILITIES

	<u>2004</u>	<u>2003</u>
CURRENT LIABILITIES:		
Accounts Payable	\$ 1,177,157	\$ 966,648
Accrued Expenses	269,956	251,821
Bonds Payable	325,000	305,000
Customer Advances for Construction	1,057,500	368,200
Sales Tax Payable	29,259	26,257
Other Deferred Credits	<u>139,702</u>	<u>135,294</u>
TOTAL CURRENT LIABILITIES	<u>2,998,574</u>	<u>2,053,220</u>
NONCURRENT LIABILITIES:		
Bonds Payable, Net of Current Portion	645,000	970,000
Customer Deposits	801,456	541,226
Rate Stabilization Reserve	<u>2,092,298</u>	<u>1,745,805</u>
TOTAL NONCURRENT LIABILITIES	<u>3,538,754</u>	<u>3,257,031</u>
TOTAL LIABILITIES	<u>6,537,328</u>	<u>5,310,251</u>
NET ASSETS		
Restricted for Debt Service	3,468,000	3,227,745
Invested in Capital Assets, Net of Related Debt	13,225,225	13,155,159
Unrestricted	<u>6,618,727</u>	<u>5,959,251</u>
TOTAL NET ASSETS	<u>23,311,952</u>	<u>22,342,155</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 29,849,280</u>	<u>\$ 27,652,406</u>

See Accompanying Notes To Financial Statements

HINGHAM MUNICIPAL LIGHTING PLANT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

OPERATING FUND

	2004	2003
OPERATING REVENUES:		
Sales of Electricity	\$ 18,382,222	\$ 16,449,574
Other Operating Revenues	254,236	227,538
	18,636,458	16,677,112
OPERATING EXPENSES:		
Operations and Maintenance	16,008,611	15,272,172
Depreciation	1,374,037	795,977
	17,382,648	16,068,149
OPERATING INCOME	1,253,810	608,963
NONOPERATING REVENUES (EXPENSES):		
Investment Income	91,213	79,102
Interest Expense	(100,627)	(109,064)
	(9,414)	(29,962)
Income Before Contributions and Transfers	1,244,396	579,001
NET ASSETS - January 1	22,342,155	22,090,355
Transfers In - Restricted for Capital Projects	245,376	182,299
Transfers Out - Payments in Lieu of Taxes	(519,975)	(509,500)
NET ASSETS - December 31	\$ 23,311,952	\$ 22,342,155

See Accompanying Notes To Financial Statements

HINGHAM MUNICIPAL LIGHTING PLANT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

OPERATING FUND

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 19,200,657	\$ 16,512,868
Cash Paid to Suppliers and Employees	(16,127,556)	(15,916,628)
Cash Paid for Benefits	(214,749)	(260,090)
Payment in Lieu of Taxes	(509,500)	(490,000)
	2,348,852	(153,850)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:		
Interest Expense	(32,975)	(31,186)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Additions to Plant Assets	(1,139,103)	(970,329)
Principal Repayment on Bonds Payable	(305,000)	(290,000)
Customer Advances for Construction	245,376	182,299
Interest Expense	(62,283)	(72,508)
	(1,261,010)	(1,150,538)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Income	91,213	79,102
Rate Stabilization Reserve	346,493	336,671
Proceeds from Sale of Investments	5,534	4,199
	443,240	419,972
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,498,107	(915,602)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	9,243,337	10,158,939
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 10,741,444	\$ 9,243,337

See Accompanying Notes To Financial Statements

HINGHAM MUNICIPAL LIGHTING PLANT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

OPERATING FUND

RECONCILIATION OF OPERATING INCOME (LOSS) TO
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

	2004	2003
Operating Income	\$ 1,253,810	\$ 608,963
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	1,374,037	795,977
Payment in Lieu of Taxes	(509,500)	(490,000)
Non-cash Rate Stabilization Costs	0	78,000
(Increase) Decrease in Assets:		
Accounts Receivable	(385,331)	(327,015)
Materials and Supplies	(344,582)	366
Prepaid Expenses	(172,191)	(847,845)
Purchased Power Working Capital	(42,500)	(42,500)
Increase (Decrease) in Liabilities:		
Accounts Payable	200,034	(64,462)
Accrued Expenses	18,135	(26,667)
Customer Advances for Construction	689,300	146,901
Sales Tax Payable	3,002	8,267
Other Deferred Credits	4,408	(1,438)
Customer Deposits	260,230	7,603
	<u>\$ 2,348,852</u>	<u>\$ (153,850)</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

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

	2004	2003
Depreciation Fund	\$ 5,999,583	\$ 4,554,219
Operating Cash	1,579,273	2,256,309
Customer Deposits	816,603	511,317
Insurance Reserve Fund	253,687	253,687
Rate Stabilization Fund	2,092,298	1,667,805
	<u>\$ 10,741,444</u>	<u>\$ 9,243,337</u>

See Accompanying Notes To Financial Statements

HINGHAM MUNICIPAL LIGHTING PLANT
 STATEMENTS OF NET ASSETS
 DECEMBER 31, 2004 AND 2003

RETIREMENT TRUST FUND

ASSETS

	2004	2003
NONCURRENT ASSETS:		
Cash and Cash Equivalents	\$ 68	\$ 23
Investments	3,150,521	3,288,000
 TOTAL ASSETS	 \$ 3,150,589	 \$ 3,288,023

NET ASSETS

NET ASSETS - Restricted	\$ 3,150,589	\$ 3,288,023
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See Accompanying Notes to the Financial Statements

HINGHAM MUNICIPAL LIGHTING PLANT
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

RETIREMENT TRUST FUND

	<u>2004</u>	<u>2003</u>
NONOPERATING REVENUES (EXPENSES):		
Income Earned on Invested Funds	\$ 105,046	\$ 174,567
Gain (Loss) from Security Redemption	50,603	35,766
Annual Pension Expense	<u>(293,083)</u>	<u>(281,992)</u>
NET INCOME (LOSS)	(137,434)	(71,659)
NET ASSETS - JANUARY 1	<u>3,288,023</u>	<u>3,359,682</u>
NET ASSETS - DECEMBER 31	<u><u>\$ 3,150,589</u></u>	<u><u>\$ 3,288,023</u></u>

See Accompanying Notes to the Financial Statements

HINGHAM MUNICIPAL LIGHTING PLANT
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

RETIREMENT TRUST FUND

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Income	\$ 99,018	\$ 112,825
Purchase of Investments	(98,990)	(107,504)
Proceeds from Sales of Investments	242,497	225,896
Gain (Loss) on Security Redemption	50,603	35,766
Annual Pension Expense	<u>(293,083)</u>	<u>(281,992)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	45	(15,009)
CASH AND CASH EQUIVALENTS - JANUARY 1	<u>23</u>	<u>15,032</u>
CASH AND CASH EQUIVALENTS - DECEMBER 31	<u><u>\$ 68</u></u>	<u><u>\$ 23</u></u>

See Accompanying Notes to the Financial Statements

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

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 Telecommunications and Energy (DTE). The Municipal Lighting Board appoints a manager of municipal lighting who shall, under direction and control of the Municipal Lighting Board, have full charge of the operations and management of the Plant.

Regulation and Basis of Accounting

The Municipal Lighting Plant complies with Generally Accepted Accounting Principles (GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

The Lighting Plant uses the 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.

The Lighting Plant adopted the provisions of Governmental Accounting Standards Board (GASB) Statements No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, in 2001.

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

Depreciation

The statutory provision for depreciation of utility plant is computed on the straight-line method at three percent of cost of plant in service at the beginning of the year, exclusive of land and land rights. Therefore, no depreciation is taken in the year of plant additions. Massachusetts law stipulates that the Lighting Plant may change from the statutory depreciation rate only with the approval of the DTE. The Plant has used a rate of 5% for 2004 and 3% for 2003. The Lighting Plant charges maintenance to expense when incurred. Replacements and betterments are charged to the utility plant.

Revenues

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

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

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

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

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 2003 financial statements have been reclassified to conform to the 2004 presentation with no effect on previously reported net income.

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 a 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 are allowed to accumulate sick days, up to a maximum of 200 days. Upon termination of employment with the Lighting Plant, the employee will be paid at a rate of \$10 per day for the first 100 days and \$20 per day for the next 100 days.

Employees are permitted to carry over vacation time 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.

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 company within 60 days. At that time, the Plant will send a delinquent 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 \$48,466 and \$0 for 2004 and 2003, respectively.

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

NOTE 2 – 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. In 2003, the money was transferred into the Town's General Fund from the Deutsche Bank Alex Brown. The Lighting Plant keeps the amount separate in their records.

NOTE 3 – DEPRECIATION FUND:

Pursuant to provisions of the Commonwealth's General Laws, cash in an amount equivalent to the annual depreciation expense is transferred from unrestricted funds to the depreciation fund. Interest earned on the balance of the fund must also remain in the fund. Such cash may be used for the cost of plant, nuclear decommissioning costs, the costs of contractual commitments, and deferred costs related to such commitments which the municipal lighting board determines are above market value.

NOTE 4 – RATE STABILIZATION RESERVE:

The Lighting Plant designs its electric service rates to recover costs of providing power supply services. In order to minimize possible future rate increases, the Plant each year will determine a rate stabilization amount to be charged or credited to revenues. The increase in the Reserve Fund is \$346,493 for 2004 and \$414,671 for 2003. The rate stabilization amounts are approved by the Board of Commissioners and will be held by the town in a reserve trust fund.

NOTE 5 - PURCHASED POWER WORKING CAPITAL:

The purchased power working capital is an amount held by Massachusetts Municipal Wholesale Electric Company (MMWEC), our power supply agent. The implementation of the Working Capital Program began August 1, 1985. MMWEC participants approved certain working capital amendments to the various power purchase agreements. MMWEC 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. The income earned allocated to the Lighting Plant will be applied as a credit to MMWEC Power Sales Billing. The balance in the fund was \$340,075 as of December 31, 2004 and \$297,575 as of December 31, 2003.

NOTE 6 – INVESTMENTS:

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

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

NOTE 7- UTILITY PLANT ASSETS

	Balance January 1, 2004	Increases	Decreases	Balance December 31, 2004
Capital assets not being depreciated:				
Land	\$ 17,856	\$ 0	\$ 0	\$ 17,856
Capital assets being depreciated:				
Transmission Plant	1,469,102	0	0	1,469,102
Distribution Plant	22,897,765	988,501	0	23,886,266
General Plant	3,113,832	150,602	0	3,264,434
Total	<u>27,480,699</u>	<u>1,139,103</u>	<u>0</u>	<u>28,619,802</u>
Less accumulated depreciation for:				
Transmission Plant	(814,428)	(53,382)	0	(867,810)
Distribution Plant	(10,222,624)	(1,210,731)	0	(11,433,355)
General Plant	(2,031,344)	(109,924)	0	(2,141,268)
Total accumulated depreciation	<u>(13,068,396)</u>	<u>(1,374,037)</u>	<u>0</u>	<u>(14,442,433)</u>
Capital assets being depreciated, Net	<u>14,412,303</u>	<u>(234,934)</u>	<u>0</u>	<u>14,177,369</u>
Utility Plant Assets, Net	<u>\$ 14,430,159</u>	<u>\$ (234,934)</u>	<u>\$ 0</u>	<u>\$ 14,195,225</u>

NOTE 8 - LONG-TERM DEBT:

On May 15, 1993, Hingham Municipal Lighting Plant issued \$2,830,000 in General Obligation Bonds with interest at a weighted average rate of 4.3%. Principal payments are due annually on July 15 and interest is due biannually on January 15 and July 15. The bonds mature on July 15, 2007.

These bonds were used to advance refund \$3.8 million of outstanding 1998 General Obligation bonds with an interest rate of 6.9%. The net proceeds of \$2,743,000 after underwriting fees and issuance costs were used to purchase U.S. Government and Agency Securities. Those securities were placed in an irrevocable trust with an escrow agent to provide for the future debt service payments of the refunded portion of the 1988 bonds. As a result, approximately 71% of the 1988 bonds are considered to be defeased and the liability for the bonds has been removed from the Lighting Plant's long-term debt.

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

NOTE 8 - LONG-TERM DEBT (continued):

Although the advance refunding resulted in the recognition of an accounting loss of \$358,000 for the year ended December 31, 1993, the Lighting Plant will reduce its aggregate debt service payments by approximately \$101,225 over the next 15 years, and achieve an economic gain (the difference between the present values of the old and new debt service payments) of \$86,292.

The accounting loss arising from the advance refunding is being amortized over the life of the old bond (6 years), and is reported as a component of interest expense. The amortized loss is \$5,369 for the years ended December 31, 2004 and 2003.

The debt service requirements on the bonds are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	325,000	41,319	366,319
2006	345,000	24,397	369,397
2007	<u>300,000</u>	<u>7,800</u>	<u>307,800</u>
	<u>\$ 970,000</u>	<u>\$ 73,516</u>	<u>\$1,043,516</u>

NOTE 9 – INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT:

	<u>2004</u>	<u>2003</u>
Cost of Capital Assets Acquired	\$ 28,637,658	\$ 27,498,555
Less: Accumulated Depreciation	14,442,433	13,068,396
Less: Outstanding Debt Related to Capital Assets	<u>970,000</u>	<u>1,275,000</u>
Invested in Capital Assets, Net of Related Debt	<u>\$ 13,225,225</u>	<u>\$ 13,155,159</u>

NOTE 10 - CONCENTRATION OF CREDIT RISK:

The Hingham Municipal Lighting Plant's deposits with the Town Treasurer are commingled and invested with deposits from other Town funds. Accordingly, it is not practical to disclose the related bank balance and credit risk of such cash deposits for the 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 Lighting Plant deposits is not determinable because the limits of insurance are computed on a town-wide basis.

NOTE 11 – UNBILLED REVENUE:

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

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

NOTE 12 – OTHER DEFERRED CREDITS:

The Plant allows a discount on customer bills paid within 15 days of the billing date. Since the Plant bills in defined batches throughout the month, some receivables outstanding at year-end will be subject to a discount when paid. The Plant posts receivables at gross, and the revenue at net accounting for this discount as a reserve. The balance in the reserve at December 31, 2004 and 2003 is \$139,702 and \$135,294, respectively.

NOTE 13 – 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 \$1,124,845 in 2004 and \$1,122,550 in 2003. Included in the accompanying balance sheets as of December 31, 2004 and 2003 is \$106,109 and \$109,722, respectively, of amounts due from the Town.

The Town provides to the Lighting Plant, police detail, various insurance and other expenses, which amounted to approximately \$824,433 in 2004 and \$712,443 in 2003. Included in the accompanying statements of net assets as of December 31, 2004 and 2003 is \$532,919 and \$524,224, respectively of amounts due to the Town.

In 2004 and 2003, the Light Board approved a payment in lieu of property taxes to the Town in the amount of \$519,975 and \$509,500, respectively.

NOTE 14 - PENSION PLAN:

The Lighting Plant is a member of the contributory retirement system administered by the Town of Hingham Retirement Board, which, in turn is a member of the Massachusetts Contributory Retirement System, which is governed by M.G.L. c.32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees. The plan is a contributory defined benefit plan for all county employees and employees of participating towns and districts except those employees who are covered by the teachers retirement board.

Massachusetts Contributory Retirement System benefits are uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

A \$30,000 salary cap, upon which members' benefits were calculated, was removed by the Retirement Board effective January 1, 1991. Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions normal retirement is at age 55).

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

NOTE 14 - PENSION PLAN (continued):

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

Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. The percentage rate is keyed to the date upon which an employee's membership commences. Members hired after 1978 contribute an additional 2% of annual pay above \$30,000. These contributions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Public Employees' Retirement Administration's Commission (PERAC's) actuary. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund.

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 credible service, level of compensation, veterans' status, and group classification. Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total contributions.

In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those contributions.

Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

The Lighting Plant is still obligated to pay for retired employees medical and other costs. These payments amounted to \$61,021 and \$95,247 in 2004 and 2003, respectively.

The Town of Hingham is assessed annually for its share for the current year pension payments which includes the retired employees of the Town of Hingham Municipal Lighting Plant. The Plant then reimburses the Town for the Plant's share of this assessment.

The amount of pension expense charged to operations for the years ended December 31, 2004, 2003 and 2002, was approximately \$293,083, \$281,992 and \$271,313, respectively.

The plan's separately issued financial statements can be obtained by contacting the Town of Hingham Retirement Board at 222 Central Street, Hingham, MA 02043.

The Plant is making provisions for their share of the Town of Hingham's unfunded actuarial liability by setting up the Town of Hingham Municipal Lighting Plant Employees' Retirement Trust to which they make contributions as deemed necessary by an actuary hired every two years to analyze the trust's estimated actuarial liability and assets. In addition to its annual town assessment, the Plant has set aside amounts totaling \$3,150,589, \$3,288,023 and \$3,359,682 as of December 31, 2004, 2003 and 2002, for the Plant's anticipated future liabilities for its current employees (see Footnote 17).

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

NOTE 15 - MMWEC PARTICIPATION:

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

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 utilities and also owns and operates its own electric facilities. 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). 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, plus 10% of MMWEC's debt service to be paid into a Reserve and Contingency Fund. 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 to an additional amount not to exceed 25% of their original 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.

Hingham Municipal Lighting Plant has entered into PSAs and Power Purchase Agreements (PPAs) with MMWEC. Under both the PSAs and PPAs, the Department is required to make certain payments to MMWEC payable solely from Department revenues. 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).

NOTE 16 – RISK MANAGEMENT:

Self Insurance Trust

Hingham Municipal Lighting Plant participates in Mass Municipal Self Insurance Trust (the Trust) with 17 other municipal light departments for the purpose of sharing liability and officers' liability risks. Through the trust, Hingham Municipal Lighting Plant is insured for \$500,000 per occurrence, with a \$50,000 deductible. Each participating light department contributes to the Trust based on its share of the group's total kilowatt-hour sales. In 2004 and 2003, the Trust required no contributions from its members as the Trust was overfunded and experienced favorable claims experience. Payments for claims under the deductible limit are funded by trust assets or, if required, additional contributions from the participants.

The Lighting Plant participates in and shares in the cost of the Town's risk management programs. The Town's risk management programs are as follows:

Buildings are fully insured against fire, theft and natural disaster to the extent that losses exceed \$5,000 per incident. Vehicle damage and loss is self-insured. The Town provides workers compensation coverage through a premium-based plan.

HINGHAM MUNICIPAL LIGHTING PLANT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2004 AND 2003

NOTE 16 – RISK MANAGEMENT (continued):

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. At December 31, 2004 and 2003, the Lighting Plant considers it's pro rata share of these losses to be immaterial to its financial statements.

NOTE 17 – RETIREMENT TRUST FUND:

The Trust Funds cash equivalents and investments are held by United States Trust Company Boston. The Funds' investments are stated at unamortized cost, which approximates cost plus accrued interest paid at purchase.

	2004		2003	
	Cost	Fair Value	Cost	Fair Value
Cash Equivalents	\$ 68	\$ 68	\$ 23	\$ 23
UST Retirement Fund	3,150,521	3,968,039	3,288,000	3,846,860
	<u>\$ 3,150,589</u>	<u>\$ 3,968,107</u>	<u>\$ 3,288,023</u>	<u>\$ 3,846,883</u>

At December 31, 2004 and 2003, the gross unrealized holding gains on UST Retirement Funds were \$817,518 and \$558,860, respectively.

NOTE 18 - LEASES:

The Lighting Plant has an operating lease agreement to lease antenna space. This lease expires in 2005 and has two sixty month renewal options. The approximate minimum future payments as of December 31, 2004 is as follows:

Year Ending December 31, 2005 \$ 4,140

Rent expense related to this lease was approximately \$4,140 and \$4,564 for the years ended December 31, 2004 and 2003, respectively.

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

NOTE 19 – 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.

MMWEC Contingencies

Through membership in MMWEC, the Plant is contingently liable on various projects in which they participated as described below.

MMWEC has issued separate issues of bonds for each of its eight Projects, which are payable solely from, and secured solely by, the revenues derived from the Project to which the bonds relate, plus available funds pledged under MMWEC's Amended and Restated General Bond Resolution (GBR) with respect to the bonds of that Project. The MMWEC revenues derived from each Project are used solely to provide for the payment of the bonds of any bond issue relating to such Project and to pay MMWEC's cost of owning and operating such Project and are not used to provide for the payment of the bonds of any bond issue relating to any other Project.

MMWEC operates the Stony Brook Intermediate Project and the Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has a 3.7% interest in the W.F. Wyman Unit No. 4 plant, which is operated and owned by its majority owner, FPL Energy Wyman IV, a subsidiary of FPL Energy, Inc. and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit, operated by Dominion Nuclear Connecticut, Inc. (DNCI), the majority owner and a subsidiary of Dominion Resources, Inc. DNCI also owns and operates Millstone Unit 2. DNCI requested and received an exemption from the NRC enabling it to submit an application earlier than 20 years before the expiration of the operating license for Unit 3 thereby enabling DNCI to submit an application to renew the operating licenses for both Unit 2 and Unit 3 simultaneously. In January 2004, DNCI filed the application to renew the operating licenses. The Unit 3 license currently will expire in 2025.

A substantial portion of MMWEC's plant investment and financing program is an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by FPL Energy Seabrook, LLC, the majority owner and an indirect subsidiary of FPL Group, Inc. FPL Energy Seabrook, LLC plans to file an application with the NRC to recapture the period 1986 to 1990 during which time Seabrook had an operating license, but did not operate. FPL Energy Seabrook, LLC also intends to extend the Seabrook Station operating license, which currently will expire in 2026.

Pursuant to the PSAs the MMWEC Seabrook and Millstone Project Participants are liable for their proportionate share of the costs associated with decommissioning the plants, which costs are being funded through monthly Project billings. Also the 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. In February 2003 Congress extended the Price-Anderson Act through the end of 2003. Congress, as part of comprehensive energy legislation, has considered extension of the Price-Anderson Act.

HINGHAM MUNICIPAL LIGHTING PLANT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2004 AND 2003

NOTE 19 - COMMITMENTS AND CONTINGENCIES (continued):

MMWEC Contingencies (continued)

In November 1997, the Commonwealth of Massachusetts enacted legislation effective March 1, 1998 to restructure the electric utility industry. MMWEC and the municipal light departments, including the Massachusetts Project Participants, are not specifically subject to this legislation. However, it is management's belief that industry restructuring and customer choice promulgated by the legislation will have an effect on MMWEC and the Participant's operations.

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

As of December 31, 2004, total Projects(s) capital expenditures amounted to \$1,513,322,000, of which \$59,767,000 represents the amount associated with the Department's share of Project Capability. MMWEC's debt outstanding for the Projects includes Power Supply System Revenue Bonds totaling \$856,295,000, of which \$31,512,000 is associated with the Department's share of Project Capability. As of December 31, 2004, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$1,090,063,000, of which \$40,137,000 is anticipated to be billed to the Department in the future.

The estimated aggregate amount of Hingham Municipal Lighting Plant's required payments under the PSAs and PPAs, exclusive of the Reserve and Contingency Fund billings, to MMWEC at December 31, 2004 and estimated for future years is shown below.

For years ended December 31,

	<u>ANNUAL COSTS</u>
2005	\$ 4,197,000
2006	4,069,000
2007	3,931,000
2008	3,668,000
2009	3,251,000
2010 to 2014	14,337,000
2015 to 2019	6,684,000
TOTAL	<u>\$ 40,137,000</u>

In addition, the Department is required to pay its share of the Operation and Maintenance (O&M) costs of the Projects in which they participate. The Department's total O&M costs including debt service under the PSAs were \$7,230,000 and \$7,846,000 for the years ended December 31, 2004 and 2003, respectively.

HINGHAM MUNICIPAL LIGHTING PLANT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2004 AND 2003
 (\$0000)

PERCENTAGE SHARE	TOTAL PROJECT EXPENDITURES		PARTICIPANT'S SHARE		DEBT ISSUED & OUTSTANDING 12/31/04		PARTICIPANT'S SHARE		TOTAL DEBT SERVICE ON BONDS OUTSTANDING		PARTICIPANT'S SHARE	
		TO DATE		SHARE		12/31/04		SHARE				SHARE
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
5.3307	57,617	3,071	4,160	222	2,080	111						
4.3870	163,706	7,182	39,475	1,732	37,831	1,660						
3.4281	15,167	520	9,798	336	11,785	404						
3.4281	112,359	3,852	72,587	2,488	87,304	2,993						
1.4311	139,908	2,002	153,010	2,190	197,561	2,827						
3.4180	317,395	10,849	168,445	5,757	217,393	7,430						
1.6644	86,649	1,442	50,105	834	64,496	1,073						
-	7,594	-	2,015	-	1,936	-						
5.0331	612,927	30,849	356,700	17,953	469,677	23,639						
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	1,513,322	59,767	856,295	31,512	1,090,063	40,137						
	TOTAL											

PERCENTAGE SHARE	OPERATION & MAINTENANCE 12/31/03		PARTICIPANT'S SHARE		OPERATION & MAINTENANCE 12/31/04		PARTICIPANT'S SHARE	
		12/31/03		SHARE		12/31/04		SHARE
	\$	\$	\$	\$	\$	\$	\$	\$
5.3307	11,356	605	9,444	503	503			
4.3870	51,437	2,257	38,280	1,679	1,679			
3.4281	1,726	59	1,754	60	60			
3.4281	13,751	471	13,636	467	467			
1.4311	24,145	346	23,189	332	332			
3.4180	30,273	1,035	31,505	1,077	1,077			
1.6644	8,874	148	9,278	154	154			
-	3,207	-	1,826	-	-			
5.0331	58,107	2,925	58,767	2,958	2,958			
	\$	\$	\$	\$	\$	\$	\$	\$
	202,876	7,846	187,679	7,230	7,230			
	TOTAL							

HINGHAM MUNICIPAL LIGHTING PLANT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2004 AND 2003
 (\$0600)

	PERCENTAGE SHARE	2005		2006		2007	
		ANNUAL COST	PARTICIPANT'S SHARE	ANNUAL COST	PARTICIPANT'S SHARE	ANNUAL COST	PARTICIPANT'S SHARE
Stony Brook Peaking Project	5.3307	\$ 2,080	\$ 111	\$ -	\$ -	\$ -	\$ -
Stony Brook Intermediate Project	4.3870	12,873	565	12,428	545	9,262	406
Nuclear Mix No. 1-SBK	3.4281	1,355	46	1,359	47	1,359	47
Nuclear Mix No. 1-MLS	3.4281	10,038	344	10,066	345	10,069	345
Nuclear Project No. 3-MLS	1.4311	16,947	243	16,955	243	16,972	243
Nuclear Project No. 4-SBK	3.4180	19,903	680	19,926	681	19,939	682
Nuclear Project No. 5-SBK	1.6644	6,099	102	6,109	102	6,107	102
Wymann Project	-	523	-	528	-	586	-
Project No. 6-SBK	5.0331	41,848	2,106	41,847	2,106	41,845	2,106
TOTAL		\$ 111,666	\$ 4,197	\$ 109,218	\$ 4,069	\$ 106,139	\$ 3,931

	PERCENTAGE SHARE	2008		2009		2010 to 2014	
		ANNUAL COST	PARTICIPANT'S SHARE	ANNUAL COST	PARTICIPANT'S SHARE	ANNUAL COST	PARTICIPANT'S SHARE
Stony Brook Peaking Project	5.3307	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Stony Brook Intermediate Project	4.3870	3,268	143	-	-	-	-
Nuclear Mix No. 1-SBK	3.4281	1,359	47	1,323	45	5,030	172
Nuclear Mix No. 1-MLS	3.4281	10,069	345	9,800	336	37,262	1,277
Nuclear Project No. 3-MLS	1.4311	16,986	243	16,474	236	79,201	1,133
Nuclear Project No. 4-SBK	3.4180	19,962	682	18,471	631	82,699	2,827
Nuclear Project No. 5-SBK	1.6644	6,108	102	5,534	92	23,532	392
Wymann Project	-	299	-	-	-	-	-
Project No. 6-SBK	5.0331	41,845	2,106	37,961	1,911	169,588	8,536
TOTAL		\$ 99,896	\$ 3,668	\$ 89,563	\$ 3,251	\$ 397,312	\$ 14,337

HINGHAM MUNICIPAL LIGHTING PLANT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2004 AND 2003
 (\$000)

	2015 to 2019		
	PERCENTAGE	ANNUAL COST	PARTICIPANT'S
	SHARE		SHARE
Stony Brook Peaking Project	5.3307	\$ -	-
Stony Brook Intermediate Project	4.3870	-	-
Nuclear Mix No. 1-SBK	3.4281	-	-
Nuclear Mix No. 1-MLS	3.4281	-	-
Nuclear Project No. 3-MLS	1.4311	34,026	486
Nuclear Project No. 4-SBK	3.4180	36,493	1,247
Nuclear Project No. 5-SBK	1.6644	11,007	183
Wyman Project	-	-	-
Project No. 6-SBK	5.0331	94,743	4,768
TOTAL		\$ 176,269	\$ 6,684

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

The Board of Commissioners
Hingham Municipal Lighting Plant

Our audits were made for the purpose of forming an opinion on the financial statements of Hingham Municipal Lighting Plant for the years ended December 31, 2004 and 2003, which was presented in the preceding section of this report. The supplemental information presented on pages 29 and 30 is for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Goulet, Salvidio & Associates, P.C.

Goulet, Salvidio & Associates, P.C.

Worcester, Massachusetts
March 23, 2005

HINGHAM MUNICIPAL LIGHTING PLANT
SCHEDULES OF SALES OF ELECTRICITY
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003
SALE OF ELECTRICITY:		
Residential	\$ 8,711,397	\$ 7,936,775
Commercial and Industrial	8,160,707	7,103,438
Municipal	1,102,518	1,036,388
Security Lighting	61,559	60,372
Sales for Resale	0	8,312
Forfeited Discounts	346,041	304,289
TOTAL SALES OF ELECTRICITY	\$ 18,382,222	\$ 16,449,574

See Independent Auditors' Report on Supplemental Information

HINGHAM MUNICIPAL LIGHTING PLANT
SCHEDULES OF OPERATIONS AND MAINTENANCE EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003
POWER PRODUCTION EXPENSES:		
Purchased Power	\$ 12,042,072	\$ 11,742,109
Transmission and Other Purchased Power Charges	929,773	985,720
	12,971,845	12,727,829
DISTRIBUTION EXPENSES:		
Miscellaneous Distribution Expenses	392,397	353,946
	392,397	353,946
MAINTENANCE EXPENSES:		
Maintenance of Lines	962,839	684,609
Maintenance - Other	37,970	35,531
	1,000,809	720,140
CUSTOMER ACCOUNTS:		
Customer Accounting and Collection Expense	361,193	308,337
Meter Reading Expense	186,062	152,022
	547,255	460,359
GENERAL AND ADMINISTRATIVE EXPENSES:		
Administrative and General Salaries	301,437	175,365
Office Supplies and Expenses	23,909	12,093
Outside Services Employed	249,346	251,993
Property Insurance	126,710	141,931
Injuries and Damages	15,750	0
Employees' Pension and Benefits	214,488	331,749
Dues, Meetings, and Other General Expenses	46,999	30,275
Transportation	60,603	0
Rent	944	16,564
Maintenance of General Plant	56,119	49,928
	1,096,305	1,009,898
TOTAL OPERATIONS AND MAINTENANCE EXPENSES	\$ 16,008,611	\$ 15,272,172

See Independent Auditors' Report on Supplemental Information