

HINGHAM MUNICIPAL LIGHTING PLANT
Financial Statements
December 31, 2005 and 2004

HINGHAM MUNICIPAL LIGHTING PLANT
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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, 2005 and 2004 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, 2005 and 2004, 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 2-6 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
April 6, 2006

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, 2005 and 2004. 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 statements of cash flows 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, 2005, it shows our net worth has increased 22% over the year ended December 31, 2004.

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 December 31, 2005 and 2004 was \$708,074 and \$1,244,396, 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

	2005	2004
Current Assets	\$ 8,182,337	\$ 6,419,584
Non-current Assets	28,367,765	23,429,696
Total Assets	\$ 36,550,102	\$ 29,849,280
Current Liabilities	5,008,836	2,998,574
Non-current Liabilities	3,080,554	3,538,754
Total Liabilities	8,089,390	6,537,328
Net Assets:		
Restricted for Debt Service	3,793,000	3,468,000
Invested in Capital Assets, Net of Related Debt	16,181,564	13,225,225
Unrestricted	8,486,148	6,618,727
Total Net Assets	28,460,712	23,311,952
Total Liabilities and Net Assets	\$ 36,550,102	\$ 29,849,280

Summary of Changes in Net Assets – Operating Fund

	2005	2,004
Operating Revenues	\$ 21,461,267	\$ 18,636,458
Operating Expenses	20,936,769	17,382,648
Operating Income	524,498	1,253,810
Non-operating Revenues (Expenses)	183,576	(9,414)
Income Before Contributions and Transfers	708,074	1,244,396
Transfers In - Retirement Fund	3,776,723	0
Transfers In - Restricted for Capital Projects	1,115,437	245,376
Transfers Out – Payments in Lieu of Taxes	(451,474)	(519,975)
Net Assets, January 1	23,311,952	22,342,155
Net Assets, December 31	\$ 28,460,712	\$ 23,311,952

Financial Highlights:

Operating revenues increased \$2,824,809 in 2005 or approximately 15.2%. This increase in revenue can be attributed to rate increases.

Operating expenses increased \$3,554,121 in 2005, or approximately 20.4%. This increase in expenses can be attributed to an increase in purchased power and fuel expenses.

The Hingham Municipal Lighting Plant will experience significant load growth in its system over the next five years. The Derby Street Shoppes', Erickson Retirement Community, Blue Cross/Blue Shield and the Hingham Shipyard projects are expected to increase the peak electrical usage by more than 30%. Hingham Light is preparing for this growth by developing a rolling 5-year Capital Plan to identify the required projects to meet this unprecedented growth. This growth will require capital spending by the Light Plant to provide the facilities necessary to accommodate these 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.

Utility Plant and Debt Administration:

Debt Administration

Bonds outstanding at year-end 2005 was \$645,000, a reduction of \$325,000 from the prior year. The current portion of long-term debt at year-end 2005 in the amount of \$345,000 will be paid in 2006.

Utility Plant and Debt Administration (Continued):

Debt Administration (Continued):

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 \$785 million of which Hingham Municipal Lighting Plant's share is just over \$28.7 million. The interest has been, and will continue to be paid with revenues received from the sales of electricity.

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 increased by \$2,631,339 from 2004. This increase is the difference between the current year additions of \$1,468,836 and construction in progress of \$2,163,091 and the annual depreciation write off of \$1,000,588. During 2005, the Lighting Plant purchased poles and fixtures, which accounted for 12% of current year additions and overhead and underground conductors and transformers placed in service accounted for approximately 42%.

Hingham Light has contracted with the Cogsdale Corporation to provide the Light Plant with a new computer software system that will integrate all the business functions of HMLP and provide greater efficiency in the company's financial processes. This system will allow all components of the business; Customer Service, Financial, Inventory, Work Order, Project Accounting and Billing to reside on the same database and make the financial information and reporting more readily available.

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.

Utility Plant and Debt Administration (Continued):

Substation Expansion Project

As part of the infrastructure improvements, Hingham Light is expanding its Hobart Street Substation to accommodate and provide the equipment required to meet the customer's growing energy demands. This project began, with Engineering and Design in 2004, and will be completed in the early summer of 2006. The overall scope of the project includes the addition of a substation-type transformer, a new switchgear building and new circuit breakers to the existing equipment. The existing fence and landscaping will also be improved as part of the overall project.

Significant Balances and Transactions:

Pension Fund

The Pension Fund's purpose is to set aside monies 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. 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. We will also 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, 2005 and 2004 was \$1,940,072 and \$2,092,298, 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.

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.

Significant Balances and Transactions (Continued):

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.

Community Service:

The Hingham Municipal Lighting Plant continues to work with the Town of Hingham and its ratepayers to provide services to the community that benefit everyone. This past year the Light Plant initiated a Total Energy Audit Program for all municipally owned buildings. The program started with an audit of all the school's buildings and a report presented to the School Department. The next step is Town Hall, followed by the rest of the municipal buildings.

The Light Plant also provides an Electrical Safety Education Program for all the schools in Hingham. This program has been well received by the educators.

The Light Plant has been involved in the Christmas in the Square celebration the past two years by installing the Christmas Lights in the downtown area for the holidays. We are also working on the plans for the new downtown lighting project along with the Hingham Development and Industrial Council.

HINGHAM MUNICIPAL LIGHTING PLANT
STATEMENTS OF NET ASSETS
DECEMBER 31, 2005 AND 2004

OPERATING FUND

ASSETS

	2005	2004
CURRENT ASSETS:		
Funds on Deposit with Town Treasurer		
Operating Cash	\$ 1,698,883	\$ 1,579,273
Accounts Receivable, Net	3,147,300	2,794,584
Materials and Supplies	1,126,901	645,225
Prepaid Power Contracts	1,134,223	1,060,427
Purchased Power Working Capital	1,075,030	340,075
TOTAL CURRENT ASSETS	8,182,337	6,419,584
NONCURRENT ASSETS:		
Funds on Deposit with Town Treasurer		
Depreciation Fund	4,649,985	5,999,583
Customer Deposits	857,519	816,603
Insurance Reserve Fund	253,687	253,687
Rate Stabilization Fund	1,940,072	2,092,298
Pension Fund	3,776,723	0
Investments	52,477	56,193
Unamortized Debt Discount	10,738	16,107
Utility Plant Assets, Net	16,826,564	14,195,225
TOTAL NONCURRENT ASSETS	28,367,765	23,429,696
TOTAL ASSETS	\$ 36,550,102	\$ 29,849,280

See Accompanying Notes To Financial Statements

HINGHAM MUNICIPAL LIGHTING PLANT
 STATEMENTS OF NET ASSETS
 DECEMBER 31, 2005 AND 2004

OPERATING FUND

LIABILITIES

	2005	2004
CURRENT LIABILITIES:		
Accounts Payable - Power	\$ 1,421,208	\$ 1,177,157
Accounts Payable - Other	2,059,423	127,965
Accrued Expenses	120,743	141,991
Bonds Payable	345,000	325,000
Customer Advances for Construction	887,740	1,057,500
Sales Tax Payable	32,534	29,259
Other Deferred Credits	142,188	139,702
	5,008,836	2,998,574
NONCURRENT LIABILITIES:		
Bonds Payable, Net of Current Portion	300,000	645,000
Customer Deposits	840,482	801,456
Rate Stabilization Reserve	1,940,072	2,092,298
	3,080,554	3,538,754
TOTAL LIABILITIES	8,089,390	6,537,328
NET ASSETS		
Restricted for Debt Service	3,793,000	3,468,000
Invested in Capital Assets, Net of Related Debt	16,181,564	13,225,225
Unrestricted	8,486,148	6,618,727
	28,460,712	23,311,952
TOTAL LIABILITIES AND NET ASSETS	\$ 36,550,102	\$ 29,849,280

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, 2005 AND 2004

OPERATING FUND

	2005	2004
OPERATING REVENUES:		
Sales of Electricity	\$ 21,293,499	\$ 18,382,222
Other Operating Revenues	167,768	254,236
	21,461,267	18,636,458
OPERATING EXPENSES:		
Operations and Maintenance	19,936,181	16,008,611
Depreciation	1,000,588	1,374,037
	20,936,769	17,382,648
OPERATING INCOME	524,498	1,253,810
NONOPERATING REVENUES (EXPENSES):		
Investment Income	264,406	91,213
Interest Expense	(80,830)	(100,627)
	183,576	(9,414)
Income Before Contributions and Transfers	708,074	1,244,396
NET ASSETS - January 1	23,311,952	22,342,155
Transfers In - Retirement Fund	3,776,723	0
Transfers In - Restricted for Capital Projects	1,115,437	245,376
Transfers Out - Payments in Lieu of Taxes	(451,474)	(519,975)
NET ASSETS - December 31	\$ 28,460,712	\$ 23,311,952

See Accompanying Notes To Financial Statements

HINGHAM MUNICIPAL LIGHTING PLANT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

OPERATING FUND

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 20,977,817	\$ 19,200,657
Cash Paid to Suppliers	(16,366,164)	(13,985,269)
Cash Paid to Employees	(2,233,534)	(2,142,287)
Cash Paid for Benefits	(412,218)	(214,749)
Payment in Lieu of Taxes	(519,975)	(509,500)
Net Cash Provided by Operating Activities	1,445,926	2,348,852
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:		
Interest Expense	(17,544)	(32,975)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Additions to Plant Assets	(1,468,836)	(1,139,103)
Additions to Construction in Progress	(2,163,091)	0
Principal Repayment on Bonds Payable	(325,000)	(305,000)
Customer Advances for Construction	1,115,437	245,376
Interest Expense	(44,086)	(62,283)
Net Cash Provided (Used) in Capital and Related Financing Activities	(2,885,576)	(1,261,010)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Transfer of Retirement Fund	3,776,723	0
Investment Income	264,406	91,213
Rate Stabilization Reserve	(152,226)	346,493
Proceeds from Sale of Investments	3,716	5,534
Net Cash Provided by Investing Activities	3,892,619	443,240
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,435,425	1,498,107
CASH AND CASH EQUIVALENTS - Beginning	10,741,444	9,243,337
CASH AND CASH EQUIVALENTS - Ending	\$ 13,176,869	\$ 10,741,444

See Accompanying Notes To Financial Statements

HINGHAM MUNICIPAL LIGHTING PLANT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

OPERATING FUND

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

	2005	2004
Operating Income	\$ 524,498	\$ 1,253,810
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	1,000,588	1,374,037
Payment in Lieu of Taxes	(519,975)	(509,500)
(Increase) Decrease in Assets:		
Accounts Receivable	(352,716)	(385,331)
Materials and Supplies	(481,676)	(344,582)
Prepaid Expenses	(73,796)	(172,191)
Purchased Power Working Capital	(734,955)	(42,500)
Increase (Decrease) in Liabilities:		
Accounts Payable - Power	312,552	251,301
Accounts Payable - Other	1,931,458	(51,267)
Accrued Expenses	(35,079)	18,135
Customer Advances for Construction	(169,760)	689,300
Sales Tax Payable	3,275	3,002
Other Deferred Credits	2,486	4,408
Customer Deposits	39,026	260,230
	\$ 1,445,926	\$ 2,348,852

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

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

	2005	2004
Depreciation Fund	\$ 4,649,985	\$ 5,999,583
Operating Cash	1,698,883	1,579,273
Customer Deposits	857,519	816,603
Insurance Reserve Fund	253,687	253,687
Pension Fund	3,776,723	0
Rate Stabilization Fund	1,940,072	2,092,298
	\$ 13,176,869	\$ 10,741,444

See Accompanying Notes To Financial Statements

HINGHAM MUNICIPAL LIGHTING PLANT
 STATEMENTS OF NET ASSETS
 DECEMBER 31, 2005 AND 2004

RETIREMENT TRUST FUND

ASSETS

	2005	2004
NONCURRENT ASSETS:		
Funds on Deposit with Town Treasurer		
Cash and Cash Equivalents	\$ 0	\$ 68
Investments	0	3,150,521
 TOTAL ASSETS	 \$ 0	 \$ 3,150,589

NET ASSETS

NET ASSETS - Restricted	\$ 0	\$ 3,150,589
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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, 2005 AND 2004

RETIREMENT TRUST FUND

	<u>2005</u>	<u>2004</u>
NONOPERATING REVENUES (EXPENSES):		
Income Earned on Invested Funds	\$ 204,175	\$ 105,046
Gain from Security Redemption	700,938	50,603
Annual Pension Expense	(274,826)	(293,083)
Management Fees	<u>(4,153)</u>	<u>0</u>
Income (Loss) Before Contributions and Transfers	626,134	(137,434)
NET ASSETS - January 1	3,150,589	3,288,023
Transfers Out - Operations	<u>(3,776,723)</u>	<u>0</u>
NET ASSETS - December 31	<u>\$ 0</u>	<u>\$ 3,150,589</u>

See Accompanying Notes to the Financial Statements

HINGHAM MUNICIPAL LIGHTING PLANT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

RETIREMENT TRUST FUND

	2005	2004
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Income	\$ 204,175	\$ 99,018
Purchase of Investments	(204,175)	(98,990)
Proceeds from Sales of Investments	3,354,696	242,497
Gain on Security Redemption	700,938	50,603
Management Fee	(4,153)	0
Annual Pension Expense	(274,826)	(293,083)
Transfer to Operating Fund	(3,776,723)	0
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(68)	45
CASH AND CASH EQUIVALENTS - Beginning	68	23
CASH AND CASH EQUIVALENTS - Ending	\$ 0	\$ 68

See Accompanying Notes to the Financial Statements

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

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. 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 3.5% for 2005 and 5% for 2004. 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, 2005 AND 2004

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 2004 financial statements have been reclassified to conform to the 2005 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 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.

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 for 2005 and 2004, respectively.

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

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. 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 FUND:

The rate stabilization fund was created as an aftermath of deregulation. 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. We will also 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. The Reserve Fund had a decrease of \$152,226 for 2005 and an increase of \$346,493 for 2004. 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 \$1,075,030 as of December 31, 2005 and \$340,075 as of December 31, 2004.

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, 2005 AND 2004

NOTE 7- UTILITY PLANT ASSETS:

	Balance January 1, 2005	Increases	Decreases	Balance December 31, 2005
Capital assets not being depreciated:				
Land	\$ 17,856	\$ 0	\$ 0	\$ 17,856
Construction in Progress	0	2,163,091	0	2,163,091
Total	17,856	2,163,091	0	2,180,947
Capital assets being depreciated:				
Transmission Plant	1,469,102	36,679	0	1,505,781
Distribution Plant	23,886,266	1,226,523	0	25,112,789
General Plant	3,264,434	205,634	0	3,470,068
Total	28,619,802	1,468,836	0	30,088,638
Less accumulated depreciation for:				
Transmission Plant	(867,810)	(50,314)	0	(918,124)
Distribution Plant	(11,433,355)	(836,019)	0	(12,269,374)
General Plant	(2,141,268)	(114,255)	0	(2,255,523)
Total accumulated depreciation	(14,442,433)	(1,000,588)	0	(15,443,021)
Capital assets being depreciated, Net	14,177,369	468,248	0	14,645,617
Utility Plant Assets, Net	<u>\$ 14,195,225</u>	<u>\$ 2,631,339</u>	<u>\$ 0</u>	<u>\$ 16,826,564</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, 2005 AND 2004

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, 2005 and 2004.

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>
2006	\$ 345,000	\$ 24,397	\$ 369,397
2007	<u>300,000</u>	<u>7,800</u>	<u>307,800</u>
	<u>\$ 645,000</u>	<u>\$ 32,197</u>	<u>\$ 677,197</u>

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

	<u>2005</u>	<u>2004</u>
Cost of Capital Assets Acquired	\$ 32,269,585	\$ 28,637,658
Less: Accumulated Depreciation	15,443,021	14,442,433
Less: Outstanding Debt Related to Capital Assets	<u>645,000</u>	<u>970,000</u>
Invested in Capital Assets, Net of Related Debt	<u>\$ 16,181,564</u>	<u>\$ 13,225,225</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 - INVESTMENT CUSTODIAL CREDIT RISK:

Investment custodial risk is the risk that, in the event of failure by the counterparty, the Lighting Plant will not be able to recover the value of its investments or collateral security that are in the possession of an outside party.

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

NOTE 11 - INVESTMENT CUSTODIAL CREDIT RISK (Continued):

Ch. 29 §38A authorized the state treasurer to establish, with the advice of an investment advisory council, one or more combined investment funds and to sell participation units to local governments. Under this authority, the State Treasurer established the Massachusetts Municipal Depository Trust (MMDT), a professionally managed investment pool. The trust manager invests in money market securities, such as CDs, T-Bills, repurchase agreements and commercial papers. Participants purchase shares in the pool by depositing funds. Under the rules and regulations adopted by the State Treasurer, no minimums exist regarding either the amounts deposited or the length of time monies may remain on deposit. Rates are subject to fluctuation and are not guaranteed. Monies deposited in the MMDT are liquid, i.e., they may be accessed at any time. Of the Lighting Plant's investments with the Massachusetts Municipal Depository Trust, the Lighting Plant has custodial exposure of \$3,276,723 at December 31, 2005. The Lighting Plant's account with the MMDT is protected in accordance with the Securities Investor Protection Corporation ("SIPC") up to \$500,000.

The Lighting Plant has custodial exposure of \$15,174 at December 31, 2005 with regards to monies invested in Government Money Market funds.

NOTE 12 - UNBILLED REVENUE:

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

NOTE 13 - 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, 2005 and 2004 is \$142,188 and \$139,702, respectively.

NOTE 14 - 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 \$1,271,135 in 2005 and \$1,124,845 in 2004. Included in the accompanying statements of net assets as of December 31, 2005 and 2004 is \$117,049 and \$106,109, 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 \$877,546 in 2005 and \$824,433 in 2004. Included in the accompanying statements of net assets as of December 31, 2005 and 2004 is \$464,772 and \$532,919, respectively of amounts due to the Town.

In 2005 and 2004, the Light Board approved a payment in lieu of property taxes to the Town in the amount of \$451,474 and \$519,975, respectively.

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

NOTE 15 - 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 teacher's retirement board.

Massachusetts Contributory Retirement System benefits are uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of 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).

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.

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

NOTE 15 - PENSION PLAN (Continued):

The Lighting Plant is still obligated to pay for retired employees medical and other costs. These payments amounted to \$69,367 and \$61,021 in 2005 and 2004, 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 year ended December 31, 2005 was approximately \$274,826. The amount charged to retirement trust fund was \$293,083 and \$281,992 for the years ended December 31, 2004 and 2003, respectively.

The plan's separately issued financial statements can be obtained by contacting the Town of Hingham Retirement Board at 210 Central Street, Hingham, MA 02043.

The Plant is making provisions for their share of the Town of Hingham's unfunded actuarial liability by contributing to a pension fund to which they make contributions as deemed necessary by an actuary hired every two years to analyze the fund's estimated actuarial liability and assets. In addition to its annual town assessment, the Plant has set aside amounts totaling \$3,776,723, \$3,150,589 and \$3,288,023 as of December 31, 2005, 2004 and 2003, for the Plant's anticipated future liabilities for its current employees (See Footnote 18).

NOTE 16 - MMWEC PARTICIPATION:

The Town of Hingham, acting through its Lighting Plant, 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 Lighting Plant is required to make certain payments to MMWEC payable solely from Lighting Plant 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).

HINGHAM MUNICIPAL LIGHTING PLANT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2005 AND 2004

NOTE 17 - 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 general 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 2005 and 2004, the Trust required no contributions from its members. The Trust is currently undergoing an actuarial study to determine the funding status. 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 fully insured. Damage is covered in full with a \$1,000 deductible per incident. The Town provides workers compensation coverage through a premium-based plan.

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, 2005 and 2004, the Lighting Plant considers its pro rata share of these losses to be immaterial to its financial statements.

NOTE 18 - RETIREMENT TRUST FUND:

During 2005, the Retirement Trust Fund was combined with the Operating Fund. The investments were sold and transferred to a cash fund held by the Town. In 2004 the Trust Fund's cash equivalents and investments were held by Boston Trust and Investment Management Company. In 2004 the Fund's investments were stated at unamortized cost, which approximates cost plus accrued interest paid at purchase.

	2004	
	Cost	Fair Value
Cash Equivalents	\$ 68	\$ 68
UST Retirement Fund	3,150,521	3,968,039
	\$ 3,150,589	\$ 3,968,107

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

NOTE 18 - RETIREMENT TRUST FUND (Continued):

During 2005, the Lighting Plant had realized gains of \$700,938 relating to the close out of the investment account and investment earnings of \$204,175. At December 31, 2004, the gross unrealized holding gain on UST Retirement Funds was \$817,518.

NOTE 19 - LEASES:

The Lighting Plant has an operating lease agreement to lease antenna space. This lease expires in 2010 and has one sixty-month renewal option. Rent expense related to this lease was approximately \$5,032 and \$4,140 for the years ended December 31, 2005 and 2004, respectively.

NOTE 20 - 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. In November 2005, the Nuclear Regulatory Commission (NRC) renewed the operating licenses for the Millstone Unit 2 and Unit 3 nuclear units for an additional twenty years. The license for Unit 2 was extended to July 31, 2035 and the license for Unit 3 was extended to November 25, 2045.

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

NOTE 20 - COMMITMENTS AND CONTINGENCIES (Continued):

MMWEC Contingencies (Continued):

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. In December 2005, the NRC issued an amendment to the operating license that extends the expiration date from October 2026 to March 2030, to recapture the period from 1986 to 1990 during which time Seabrook Station had an operating license, but did not operate. FPL Energy Seabrook, has stated its intention to request an extension of the Seabrook Station operating license beyond March 2030.

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. The Project Participants are also liable for their proportionate share of the uninsured costs of a nuclear incident that might be imposed under the Price-Anderson 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.

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

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 Lighting Plant.

As of December 31, 2005, total Projects(s) capital expenditures amounted to \$1,521,643,000, of which \$60,098,000 represents the amount associated with the Lighting Plant's share of Project Capability of the Projects in which it participates. MMWEC's debt outstanding for the Projects includes Power Supply System Revenue Bonds totaling \$784,995,000, of which \$28,779,000 is associated with the Lighting Plant's share of Project Capability of the Projects in which it participates. As of December 31, 2005, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$978,397,000, of which \$35,941,000 is anticipated to be billed to the Lighting Plant 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, 2005 and estimated for future years is shown below.

HINGHAM MUNICIPAL LIGHTING PLANT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2005 AND 2004

NOTE 20 - COMMITMENTS AND CONTINGENCIES (Continued):

MMWEC Contingencies (Continued):

	<u>ANNUAL COSTS</u>	
For Years Ended December 31,	2006	\$ 4,069,000
	2007	3,931,000
	2008	3,668,000
	2009	3,252,000
	2010	2,952,000
	2011 TO 2015	13,971,000
	2016 TO 2019	<u>4,098,000</u>
TOTAL		<u>\$ 35,941,000</u>

In addition, the Lighting Plant is required to pay its share of the Operation and Maintenance (O&M) costs of the Projects in which they participate. The Lighting Plant's total O&M costs including debt service under the PSAs were \$7,248,000 and \$7,230,000 for the years ended December 31, 2005 and 2004, respectively.

HINGHAM MUNICIPAL LIGHTING PLANT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2005 AND 2004
 (\$000)

PERCENTAGE SHARE	TOTAL PROJECT EXPENDITURES TO DATE	PARTICIPANTS SHARE	DEBT ISSUED & OUTSTANDING 12/31/2005	PARTICIPANTS SHARE	TOTAL DEBT SERVICE ON BONDS OUTSTANDING	PARTICIPANTS SHARE
	\$ 57,740	\$ 3,078	\$ -	\$ -	\$ -	\$ -
Stony Brook Peaking Project	5.3307					
Stony Brook Intermediate Project	4.3870	7,199	28,625	1,256	24,958	1,095
Nuclear Mix No. 1-SBK	3.4281	523	8,957	307	10,477	359
Nuclear Mix No. 1-MLS	3.4281	3,858	66,013	2,263	77,219	2,647
Nuclear Project No. 3-MLS	1.4311	2,007	143,415	2,052	180,614	2,585
Nuclear Project No. 4-SBK	3.4180	10,941	156,865	5,362	197,490	6,750
Nuclear Project No. 5-SBK	1.6644	1,454	46,510	774	58,397	972
Wyman Project	-	7,636	1,525	-	1,413	-
Project No. 6-SBK	5.0331	31,038	333,085	16,765	427,829	21,533
TOTAL	\$ 1,521,643	\$ 60,098	\$ 784,995	\$ 28,779	\$ 978,397	\$ 35,941

PERCENTAGE SHARE	OPERATION & MAINTENANCE 12/31/2004	PARTICIPANTS SHARE	OPERATION & MAINTENANCE 12/31/2005	PARTICIPANTS SHARE
	\$ 9,444	\$ 503	\$ 8,404	\$ 448
Stony Brook Peaking Project	5.3307			
Stony Brook Intermediate Project	4.3870	1,679	39,960	1,753
Nuclear Mix No. 1-SBK	3.4281	60	1,730	59
Nuclear Mix No. 1-MLS	3.4281	467	13,785	473
Nuclear Project No. 3-MLS	1.4311	332	23,255	333
Nuclear Project No. 4-SBK	3.4180	1,077	31,137	1,064
Nuclear Project No. 5-SBK	1.6644	154	9,290	155
Wyman Project	-	-	2,960	-
Project No. 6-SBK	5.0331	2,958	58,867	2,963
TOTAL	\$ 187,679	\$ 7,230	\$ 189,388	\$ 7,248

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(\$000)

	PERCENTAGE SHARE	2006			2007			2008		
		ANNUAL COST	PARTICIPANTS SHARE	PARTICIPANT'S SHARE	ANNUAL COST	PARTICIPANTS SHARE	PARTICIPANT'S SHARE	ANNUAL COST	PARTICIPANTS SHARE	
Stony Brook Peaking Project	5.3307	\$ -	\$ -	\$ -	-	\$ -	-	\$ -	-	
Stony Brook Intermediate Project	4.3870	12,428	545	9,262	406	3,268	143			
Nuclear Mix No. 1-SBK	3.4281	1,365	47	1,365	47	1,365	47			
Nuclear Mix No. 1-MLS	3.4281	10,060	345	10,063	345	10,063	345			
Nuclear Project No. 3-MLS	1.4311	16,955	243	16,972	243	16,986	243			
Nuclear Project No. 4-SBK	3.4180	19,926	681	19,939	682	19,962	682			
Nuclear Project No. 5-SBK	1.6644	6,109	102	6,107	102	6,108	102			
Wyman Project	-	528	-	586	-	299	-			
Project No. 6-SBK	5.0331	41,847	2,106	41,845	2,106	41,845	2,106			
TOTAL		\$ 109,218	\$ 4,069	\$ 106,139	\$ 3,931	\$ 99,896	\$ 3,668			

	PERCENTAGE SHARE	2009			2010			2011 to 2015		
		ANNUAL COST	PARTICIPANTS SHARE	PARTICIPANT'S SHARE	ANNUAL COST	PARTICIPANTS SHARE	PARTICIPANT'S SHARE	ANNUAL COST	PARTICIPANTS SHARE	
Stony Brook Peaking Project	5.3307	\$ -	\$ -	\$ -	-	\$ -	-	\$ -	-	
Stony Brook Intermediate Project	4.3870	-	-	-	-	-	-	-	-	
Nuclear Mix No. 1-SBK	3.4281	1,329	46	1,251	43	3,802	130			
Nuclear Mix No. 1-MLS	3.4281	9,794	336	9,217	316	28,022	961			
Nuclear Project No. 3-MLS	1.4311	16,474	236	16,009	229	79,031	1,131			
Nuclear Project No. 4-SBK	3.4180	18,471	631	16,658	569	82,583	2,823			
Nuclear Project No. 5-SBK	1.6644	5,534	92	4,825	80	23,311	388			
Wyman Project	-	-	-	-	-	-	-			
Project No. 6-SBK	5.0331	37,961	1,911	34,078	1,715	169,636	8,538			
TOTAL		\$ 89,563	\$ 3,252	\$ 82,038	\$ 2,952	\$ 386,385	\$ 13,971			

HINGHAM MUNICIPAL LIGHTING PLANT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2005 AND 2004
 (\$000)

	PERCENTAGE SHARE	2016 to 2019 ANNUAL COST	PARTICIPANT'S 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	18,187	260
Nuclear Project No. 4-SBK	3.4180	19,951	682
Nuclear Project No. 5-SBK	1.6644	6,403	105
Wyman Project	-	-	-
Project No. 6-SBK	5.0331	60,617	3,051
TOTAL		\$ 105,158	\$ 4,098

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, 2005 and 2004, which was presented in the preceding section of this report. The supplemental information presented on pages 31 and 32 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
April 6, 2006

HINGHAM MUNICIPAL LIGHTING PLANT
 SCHEDULES OF SALES OF ELECTRICITY
 FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

OPERATING FUND

	2005	2004
SALE OF ELECTRICITY:		
Residential	\$ 10,088,240	\$ 8,711,397
Commercial and Industrial	9,476,257	8,160,707
Municipal	1,271,135	1,102,518
Security Lighting	60,059	61,559
Forfeited Discounts	397,808	346,041
TOTAL SALES OF ELECTRICITY	\$ 21,293,499	\$ 18,382,222

See Independent Auditors' Report on Supplemental Information

HINGHAM MUNICIPAL LIGHTING PLANT
SCHEDULES OF OPERATIONS AND MAINTENANCE EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

OPERATING FUND

	2005	2004
POWER PRODUCTION EXPENSES:		
Purchased Power	\$ 15,785,926	\$ 12,042,072
Transmission and Other Purchased Power Charges	1,110,207	929,773
Total Power Production Expenses	16,896,133	12,971,845
DISTRIBUTION EXPENSES:		
Miscellaneous Distribution Expenses	436,215	392,397
MAINTENANCE EXPENSES:		
Maintenance of Lines	902,949	962,839
Maintenance - Other	22,556	37,970
Total Maintenance Expenses	925,505	1,000,809
CUSTOMER ACCOUNTS:		
Customer Accounting and Collection Expense	372,439	361,193
Meter Reading Expense	201,534	186,062
Total Customer Accounts	573,973	547,255
GENERAL AND ADMINISTRATIVE EXPENSES:		
Administrative and General Salaries	283,468	301,437
Office Supplies and Expenses	19,730	23,909
Outside Services Employed	269,902	249,346
Property Insurance	143,728	126,710
Injuries and Damages	4,250	15,750
Employees' Pension and Benefits	252,349	214,488
Dues, Meetings, and Other General Expenses	29,216	46,999
Transportation	69,245	60,603
Rent	15,814	944
Maintenance of General Plant	16,653	56,119
Total General and Administrative Expenses	1,104,355	1,096,305
TOTAL OPERATIONS AND MAINTENANCE EXPENSES	\$ 19,936,181	\$ 16,008,611

See Independent Auditors' Report on Supplemental Information