

HINGHAM MUNICIPAL LIGHTING PLANT
Financial Statements
December 31, 2006 and 2005

**HINGHAM MUNICIPAL LIGHTING PLANT
TABLE OF CONTENTS
DECEMBER 31, 2006 AND 2005**

	Page
Independent Auditors' Report	1
Management's Discussion and Analysis	2-6
Financial Statements:	
Statements of Net Assets	7,8
Statements of Revenues, Expenses and Changes in Net Assets	9
Statements of Cash Flows	10,11
Notes to Financial Statements	12-25
Supplemental Information:	
Independent Auditors' Report on Supplemental Information	26
Schedules of Sales of Electricity	27
Schedules of Operations and Maintenance Expenses	28

Goulet, Salvidio & Associates, P.C.
Certified Public Accountants

James F. Goulet, CPA, MST
Catherine A. Kuzmeskus, CPA

Michael A. Salvidio, CPA
James R. Dube, CPA

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, 2006 and 2005 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, 2006 and 2005, 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. 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
September 21, 2007

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, 2006 and 2005. 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, 2006, it shows our net worth has increased 1.5% over the year ended December 31, 2005.

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, 2006 and 2005 was \$965,865 and \$708,074 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

	2006	2005
Current Assets	\$ 5,397,057	\$ 8,182,337
Non-current Assets	32,442,773	28,367,765
 Total Assets	 \$ 37,839,830	 \$ 36,550,102
 Current Liabilities	 5,719,714	 5,008,836
Non-current Liabilities	3,234,355	3,080,554
 Total Liabilities	 8,954,069	 8,089,390
 Net Assets:		
Restricted for Debt Service	4,138,000	3,793,000
Invested in Capital Assets, Net of Related Debt	23,082,910	16,181,564
Unrestricted	1,664,851	8,486,148
 Total Net Assets	 28,885,761	 28,460,712
 Total Liabilities and Net Assets	 \$ 37,839,830	 \$ 36,550,102

Summary of Changes in Net Assets

	2006	2,004
Operating Revenues	\$ 23,699,133	\$ 21,461,267
Operating Expenses	22,997,288	20,936,769
Operating Income	701,845	524,498
Non-operating Revenues (Expenses)	264,020	183,576
Income Before Contributions and Transfers	965,865	708,074
Transfers In (Out) - Retirement Fund	(104,931)	3,776,723
Transfers In - Restricted for Capital Projects	38,163	1,115,437
Transfers Out - Payments in Lieu of Taxes	(474,048)	(451,474)
Net Assets, January 1	28,460,712	23,311,952
Net Assets, December 31	\$ 28,885,761	\$ 28,460,712

Financial Highlights:

Operating revenues increased \$2,237,866 in 2006 or approximately 10.4%. This increase in revenue can be attributed to a rate increase and increased kilowatt usage.

Operating expenses increased \$2,060,519 in 2006, or approximately 9.8%. This increase in expenses can be attributed to an increase in purchased power and capacity charges.

The Hingham Municipal Lighting Plant is experiencing significant load growth in its system and will continue to 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 five 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. The financial statements also show the increase in plant value that HMLP has added to the system in order to serve the new customers.

The Hingham Municipal Lighting Plant experienced, on August 2, 2006, its all-time peak usage at 48.9 MW. This represents an increase in peak load of 30% in the past two years. The summer of 2006 was not an exceptionally warm summer but kilowatt hour sales also increased slightly over 2005, which is representative of the new load.

Utility Plant and Debt Administration:

Debt Administration

Bonds outstanding at year-end 2006 was \$300,000, a reduction of \$345,000 from the prior year. The current portion of long-term debt at year-end 2006 in the amount of \$300,000 will be paid in 2007.

The Hingham Municipal Lighting Plant remains a vertically integrated utility, as do all Municipal Light Departments in Massachusetts. This means that we are allowed under the Massachusetts Utility Restructuring Laws to retain our ownership and control over our electrical generation assets. Investor owned utilities, such as National Grid, 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 \$714 million of which Hingham Municipal Lighting Plant's share is just over \$26.1 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 \$6,556,346 from 2005. This increase is the difference between the current year additions of \$7,459,005 and the annual depreciation write off of \$902,659. During 2006, the Lighting Plant purchased station equipment, which accounted for 28% of current year additions and overhead and underground conductors and devices placed in service accounted for approximately 60%.

Hingham Light continues to work on the installation and implementation of a new Enterprise Resource Planning (ERP) computer program with Cogsdale. The Cogsdale system will upgrade the HMLP system to a windows based, fully integrated system. 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 the poles, transformers, meters, and other types of services that are on the mapping system.

Utility Plant and Debt Administration (Continued):

Substation Expansion Project

Hingham Light completed a substation expansion project. 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. This project was complete in early June and was on-line for the summer peak. This expansion provides HMLP with the necessary capacity to serve the existing, new and potential future load growth in Town for the foreseeable future.

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, 2006 and 2005 was \$2,371,810 and \$1,940,072, 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 has completed audits of all the Hingham Schools, Town Hall building and the South Shore Country Club.

The Light Plant also provides an Electrical Safety Education Program for all the schools in Hingham. This program emphasizes safe practices around electricity and electrical equipment and has been well received by the educators. A solar array project is scheduled for the Hingham High School to act as a renewable energy source and teaching tool on how the energy from the sun can create electricity that can be used to power a classroom.

The Board of Commissioners of the Light Plant approved an additional one time payment of \$150,000 for the Hingham Schools to purchase additional computers for the upcoming school year. This will be in addition to the annual in lieu of tax payment made by the Light Plant, which was \$474,048 for 2006.

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, 2006 AND 2005

ASSETS

	2006	2005
CURRENT ASSETS:		
Funds on Deposit with Town Treasurer		
Operating Cash	\$ 15,674	\$ 1,698,883
Accounts Receivable, Net	2,949,356	3,147,300
Materials and Supplies	833,397	1,126,901
Prepaid Power Contracts	906,528	1,134,223
Purchased Power Working Capital	692,102	1,075,030
 TOTAL CURRENT ASSETS	 5,397,057	 8,182,337
 NONCURRENT ASSETS:		
Funds on Deposit with Town Treasurer		
Depreciation Fund	1,998,273	4,649,985
Customer Deposits	886,739	857,519
Insurance Reserve Fund	253,687	253,687
Rate Stabilization Fund	2,371,810	1,940,072
Pension Fund	3,491,508	3,776,723
Investments	52,477	52,477
Unamortized Debt Discount	5,369	10,738
Utility Plant Assets, Net	23,382,910	16,826,564
 TOTAL NONCURRENT ASSETS	 32,442,773	 28,367,765
 TOTAL ASSETS	 \$ 37,839,830	 \$ 36,550,102

See Accompanying Notes To Financial Statements

**HINGHAM MUNICIPAL LIGHTING PLANT
STATEMENTS OF NET ASSETS
DECEMBER 31, 2006 AND 2005**

LIABILITIES

	<u>2006</u>	<u>2005</u>
CURRENT LIABILITIES:		
Accounts Payable	\$ 1,463,190	\$ 3,029,157
Accounts Payable - Related Party	2,013,971	451,474
Accrued Expenses	179,304	120,743
Bonds Payable	300,000	345,000
Customer Advances for Construction	1,541,619	887,740
Sales Tax Payable	38,057	32,534
Other Deferred Credits	<u>183,573</u>	<u>142,188</u>
 TOTAL CURRENT LIABILITIES	 <u>5,719,714</u>	 <u>5,008,836</u>
 NONCURRENT LIABILITIES:		
Bonds Payable, Net of Current Portion	0	300,000
Customer Deposits	862,545	840,482
Rate Stabilization Reserve	<u>2,371,810</u>	<u>1,940,072</u>
 TOTAL NONCURRENT LIABILITIES	 <u>3,234,355</u>	 <u>3,080,554</u>
 TOTAL LIABILITIES	 <u>8,954,069</u>	 <u>8,089,390</u>
 NET ASSETS		
Restricted for Debt Service	4,138,000	3,793,000
Invested in Capital Assets, Net of Related Debt	23,082,910	16,181,564
Unrestricted	<u>1,664,851</u>	<u>8,486,148</u>
 TOTAL NET ASSETS	 <u>28,885,761</u>	 <u>28,460,712</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 37,839,830</u>	 <u>\$ 36,550,102</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, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
OPERATING REVENUES:		
Sales of Electricity	\$ 23,504,167	\$ 21,293,499
Other Operating Revenues	194,966	167,768
TOTAL OPERATING REVENUES	<u>23,699,133</u>	<u>21,461,267</u>
OPERATING EXPENSES:		
Operations and Maintenance	22,094,629	19,936,181
Depreciation	902,659	1,000,588
TOTAL OPERATING EXPENSES	<u>22,997,288</u>	<u>20,936,769</u>
OPERATING INCOME	<u>701,845</u>	<u>524,498</u>
NONOPERATING REVENUES (EXPENSES):		
Investment Income	328,321	264,406
Interest Expense	(64,301)	(80,830)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>264,020</u>	<u>183,576</u>
Income Before Contributions and Transfers	965,865	708,074
NET ASSETS - January 1	28,460,712	23,311,952
Transfers In (Out) - Retirement Fund	(104,931)	3,776,723
Transfers In - Restricted for Capital Projects	38,163	1,115,437
Transfers Out - Payments in Lieu of Taxes	(474,048)	(451,474)
NET ASSETS - December 31	<u>\$ 28,885,761</u>	<u>\$ 28,460,712</u>

See Accompanying Notes To Financial Statements

**HINGHAM MUNICIPAL LIGHTING PLANT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 24,573,019	\$ 20,977,817
Cash Paid to Suppliers	(19,722,774)	(16,366,164)
Cash Paid to Employees	(2,330,045)	(2,233,534)
Cash Paid for Benefits	(878,027)	(412,218)
Payment in Lieu of Taxes	(451,474)	(519,975)
	<u>1,190,699</u>	<u>1,445,926</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:		
Interest Expense	(31,107)	(17,544)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Accounts Payable - Related Party	1,720,207	0
Additions to Plant Assets	(7,459,005)	(1,468,836)
Additions to Construction in Progress	0	(2,163,091)
Principal Repayment on Bonds Payable	(345,000)	(325,000)
Customer Advances for Construction	38,163	1,115,437
Interest Expense	(33,194)	(44,086)
	<u>(6,078,829)</u>	<u>(2,885,576)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Transfer of Retirement Fund	0	3,776,723
Investment Income	328,321	264,406
Rate Stabilization Reserve	431,738	(152,226)
Proceeds from Sale of Investments	0	3,716
	<u>760,059</u>	<u>3,892,619</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,159,178)	2,435,425
CASH AND CASH EQUIVALENTS - Beginning	13,176,869	10,741,444
CASH AND CASH EQUIVALENTS - Ending	\$ 9,017,691	\$ 13,176,869

See Accompanying Notes To Financial Statements

**HINGHAM MUNICIPAL LIGHTING PLANT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

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

	2006	2005
Operating Income	\$ 701,845	\$ 524,498
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	902,659	1,000,588
Payment in Lieu of Taxes	(451,474)	(519,975)
Payment of Current Year Pension	(285,215)	0
(Increase) Decrease in Assets:		
Accounts Receivable	197,944	(352,716)
Materials and Supplies	293,504	(481,676)
Prepaid Expenses	227,695	(73,796)
Purchased Power Working Capital	382,928	(734,955)
Increase (Decrease) in Liabilities:		
Accounts Payable - Power	(1,565,967)	2,244,010
Accrued Expenses	63,930	(35,079)
Customer Advances for Construction	653,879	(169,760)
Sales Tax Payable	5,523	3,275
Other Deferred Credits	41,385	2,486
Customer Deposits	22,063	39,026
	\$ 1,190,699	\$ 1,445,926

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

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

	2006	2005
Depreciation Fund	\$ 1,998,273	\$ 4,649,985
Operating Cash	15,674	1,698,883
Customer Deposits	886,739	857,519
Insurance Reserve Fund	253,687	253,687
Pension Fund	3,491,508	3,776,723
Rate Stabilization Fund	2,371,810	1,940,072
	\$ 9,017,691	\$ 13,176,869

See Accompanying Notes To Financial Statements

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

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% for 2006 and 3.5% for 2005. 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, 2006 AND 2005

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 2005 financial statements have been reclassified to conform to the 2006 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 less an allowance for doubtful accounts. 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 2006 and 2005, respectively.

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

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 an increase of \$431,738 for 2006 and a decrease of \$152,226 for 2005. 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 - PENSION FUND:

The pension fund was created to fund pension obligations of the Lighting Plant. In 2005, the money was transferred from a separate trust fund over to the custody of the Town Treasurer.

NOTE 6 - 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 \$692,102 as of December 31, 2006 and \$1,075,030 as of December 31, 2005.

NOTE 7 - 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, 2006 AND 2005

NOTE 8 - UTILITY PLANT ASSETS:

	Balance January 1, 2006	Increases	Decreases	Balance December 31, 2006
Capital assets not being depreciated:				
Land	\$ 17,856	\$ 0	\$ 0	\$ 17,856
Construction in Progress	2,163,091	0	2,003,845	159,246
Total	2,180,947	0	2,003,845	177,102
Capital assets being depreciated:				
Transmission Plant	1,505,781	18,702	0	1,524,483
Distribution Plant	25,112,789	8,891,154	0	34,003,943
General Plant	3,470,068	552,994	0	4,023,062
Total	30,088,638	9,462,850	0	39,551,488
Less accumulated depreciation for:				
Transmission Plant	(918,124)	(45,173)	0	(963,297)
Distribution Plant	(12,269,374)	(753,384)	0	(13,022,758)
General Plant	(2,255,523)	(104,102)	0	(2,359,625)
Total accumulated depreciation	(15,443,021)	(902,659)	0	(16,345,680)
Capital assets being depreciated, Net	14,645,617	8,560,191	0	23,205,808
Utility Plant Assets, Net	\$ 16,826,564	\$ 8,560,191	\$ 2,003,845	\$ 23,382,910

NOTE 9 - 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 1988 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, 2006 AND 2005**

NOTE 9 - 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, 2006 and 2005.

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>
2007	\$ 300,000	\$ 7,800	\$ 307,800

NOTE 10 - INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT:

	<u>2006</u>	<u>2005</u>
Cost of Capital Assets Acquired	\$ 39,728,590	\$ 32,269,585
Less: Accumulated Depreciation	16,345,680	15,443,021
Less: Outstanding Debt Related to Capital Assets	<u>300,000</u>	<u>645,000</u>
Invested in Capital Assets, Net of Related Debt	<u>\$ 23,082,910</u>	<u>\$ 16,181,564</u>

NOTE 11 - 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 12 - 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, 2006 AND 2005

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, 2006 and 2005 is \$183,573 and \$142,188, 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 \$1,284,814 in 2006 and \$1,271,135 in 2005. Included in the accompanying statements of net assets as of December 31, 2006 and 2005 is \$111,494 and \$117,049, 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 \$856,662 in 2006 and \$877,546 in 2005. Included in the accompanying statements of net assets as of December 31, 2006 and 2005 is \$474,048 and \$464,772, respectively of amounts due to the Town.

In 2006 and 2005, the Light Board approved a payment in lieu of property taxes to the Town in the amount of \$474,048 and \$451,474, respectively.

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).

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE 15 - 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 obligated to pay for retired employees medical and other costs. These payments amounted to \$71,693 and \$69,367 in 2006 and 2005, respectively.

The Town of Hingham is assessed annually for its share of 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 charged to the retirement trust fund was \$285,215, \$274,826 and \$293,083 for the years ended December 31, 2006, 2005 and 2004, 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 \$3,491,508, \$3,776,723 and \$3,150,589 as of December 31, 2006, 2005 and 2004, for the Plant's anticipated future liabilities for its current employees.

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

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).

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 2006 a payment of \$30,996 was made to the Trust. Payments for claims under the deductible limit are funded by Trust assets.

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.

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE 17 - RISK MANAGEMENT (Continued):

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, 2006 and 2005, the Lighting Plant considers it's pro rata share of these losses to be immaterial to its financial statements.

NOTE 18 - 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 for the years ended December 31, 2006 and 2005.

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.

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE 19 - COMMITMENTS AND CONTINGENCIES (Continued):

MMWEC Contingencies (Continued):

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.

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 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.

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, 2006, total Project(s) capital expenditures amounted to \$1,529,950,000, of which \$60,423,000 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 \$714,635,000, of which \$26,142,000 is associated with the Lighting Plant's share of Project Capability of the Projects in which it participates. As of December 31, 2006, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$869,179,000, of which \$31,872,000 is anticipated to be billed to the Lighting Plant in the future.

HINGHAM MUNICIPAL LIGHTING PLANT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2006 AND 2005

NOTE 19 - COMMITMENTS AND CONTINGENCIES (Continued):

MMWEC Contingencies (Continued):

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, 2006 and estimated for future years is shown below.

	<u>ANNUAL COSTS</u>		
For Years Ended December 31,	2007	\$	3,931,000
	2008		3,668,000
	2009		3,252,000
	2010		2,952,000
	2011		2,926,000
	2012 TO 2016		13,448,000
	2017 TO 2019		<u>1,695,000</u>
	TOTAL	\$	<u>31,872,000</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 \$7,520,000 and \$7,248,000 for the years ended December 31, 2006 and 2005, respectively.

HINGHAM MUNICIPAL LIGHTING PLANT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2006 AND 2005
 (\$000)

	PERCENTAGE SHARE	TOTAL PROJECT EXPENDITURES TO DATE		PARTICIPANTS SHARE		DEBT ISSUED & OUTSTANDING 12/31/2006		PARTICIPANTS SHARE		TOTAL DEBT SERVICE ON BONDS OUTSTANDING		PARTICIPANTS SHARE	
		\$		\$		\$		\$		\$		\$	
Stony Brook Peaking Project	5.3307	\$ 57,828	\$ 3,083	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Stony Brook Intermediate Project	4.3870	164,916	7,235	17,240	756	-	-	12,530	550	-	-	12,530	550
Nuclear Mix No. 1-SBK	3.4281	15,360	527	8,061	276	8,061	276	9,139	313	9,139	313	9,139	313
Nuclear Mix No. 1-MLS	3.4281	112,822	3,868	59,209	2,030	59,209	2,030	67,132	2,301	67,132	2,301	67,132	2,301
Nuclear Project No. 3-MLS	1.4311	140,830	2,015	133,365	1,909	133,365	1,909	163,659	2,342	163,659	2,342	163,659	2,342
Nuclear Project No. 4-SBK	3.4180	322,530	11,024	144,705	4,946	144,705	4,946	177,564	6,069	177,564	6,069	177,564	6,069
Nuclear Project No. 5-SBK	1.6644	87,949	1,464	42,720	711	42,720	711	52,288	870	52,288	870	52,288	870
Wyman Project	-	7,675	-	1,105	-	1,105	-	885	-	885	-	885	-
Project No. 6-SBK	5.0331	620,040	31,207	308,230	15,514	308,230	15,514	385,982	19,427	385,982	19,427	385,982	19,427
TOTAL		\$ 1,529,950	\$ 60,423	\$ 714,635	\$ 26,142	\$ 714,635	\$ 26,142	\$ 869,179	\$ 31,872	\$ 869,179	\$ 31,872	\$ 869,179	\$ 31,872

	PERCENTAGE SHARE	OPERATION & MAINTENANCE 12/31/2005		PARTICIPANTS SHARE		OPERATION & MAINTENANCE 12/31/2006		PARTICIPANTS SHARE	
		\$		\$		\$		\$	
Stony Brook Peaking Project	5.3307	\$ 8,404	\$ 448	\$ 5,481	292	\$ 5,481	292	\$ -	-
Stony Brook Intermediate Project	4.3870	39,960	1,753	45,651	2,003	45,651	2,003	-	-
Nuclear Mix No. 1-SBK	3.4281	1,730	59	1,753	60	1,753	60	-	-
Nuclear Mix No. 1-MLS	3.4281	13,785	473	14,928	512	14,928	512	-	-
Nuclear Project No. 3-MLS	1.4311	23,255	333	24,658	353	24,658	353	-	-
Nuclear Project No. 4-SBK	3.4180	31,137	1,064	32,414	1,108	32,414	1,108	-	-
Nuclear Project No. 5-SBK	1.6644	9,290	155	9,383	156	9,383	156	-	-
Wyman Project	-	2,960	-	1,631	-	1,631	-	-	-
Project No. 6-SBK	5.0331	58,867	2,963	60,326	3,036	60,326	3,036	-	-
TOTAL		\$ 189,388	\$ 7,248	\$ 196,225	\$ 7,520	\$ 196,225	\$ 7,520	\$ -	\$ -

HINGHAM MUNICIPAL LIGHTING PLANT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2006 AND 2005
 (\$000)

	PERCENTAGE SHARE	2007			2008			2009		
		ANNUAL COST	PARTICIPANT'S SHARE	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	9,262	406	3,268	143	-	-	-	-	
Nuclear Mix No. 1-SBK	3.4281	1,369	47	1,369	47	1,333	46	9,790	336	
Nuclear Mix No. 1-MLS	3.4281	10,059	345	10,059	345	16,474	236	18,471	631	
Nuclear Project No. 3-MLS	1.4311	16,972	243	16,986	243	6,108	102	5,534	92	
Nuclear Project No. 4-SBK	3.4180	19,939	682	19,962	682	299	-	-	-	
Nuclear Project No. 5-SBK	1.6644	6,107	102	6,108	102	41,845	2,106	37,961	1,911	
Wyman Project	-	586	-	299	-	-	-	-	-	
Project No. 6-SBK	5.0331	41,845	2,106	41,845	2,106	99,896	3,668	89,563	3,252	
TOTAL		\$ 106,139	\$ 3,931	\$ 99,896	\$ 3,668	\$ 89,563	\$ 3,252			

	PERCENTAGE SHARE	2010			2011			2012 to 2016		
		ANNUAL COST	PARTICIPANT'S SHARE	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	-	-	-	-	-	-	-	-	
Nuclear Mix No. 1-SBK	3.4281	1,254	43	1,201	41	2,613	90	19,189	658	
Nuclear Mix No. 1-MLS	3.4281	9,214	316	8,821	302	73,806	1,056	80,237	2,743	
Nuclear Project No. 3-MLS	1.4311	16,009	229	15,941	228	4,742	79	22,703	378	
Nuclear Project No. 4-SBK	3.4180	16,658	569	16,418	561	-	-	-	-	
Nuclear Project No. 5-SBK	1.6644	4,825	80	4,742	79	-	-	-	-	
Wyman Project	-	-	-	-	-	-	-	-	-	
Project No. 6-SBK	5.0331	34,078	1,715	34,081	1,715	169,344	8,523	367,892	13,448	
TOTAL		\$ 82,038	\$ 2,952	\$ 81,204	\$ 2,926	\$ 367,892	\$ 13,448			

HINGHAM MUNICIPAL LIGHTING PLANT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2006 AND 2005
 (\$000)

	2017 to 2019	
	ANNUAL COST	PARTICIPANTS
PERCENTAGE SHARE		SHARE
Stony Brook Peaking Project	\$ -	-
Stony Brook Intermediate Project	-	-
Nuclear Mix No. 1-SBK	-	-
Nuclear Mix No. 1-MLS	-	-
Nuclear Project No. 3-MLS	7,471	107
Nuclear Project No. 4-SBK	5,879	201
Nuclear Project No. 5-SBK	2,269	37
Wyman Project	-	-
Project No. 6-SBK	26,828	1,350
TOTAL	\$ 42,447	\$ 1,695

Goulet, Salvidio & Associates, P.C.
Certified Public Accountants

James F. Goulet, CPA, MST
Catherine A. Kuzmeskus, CPA

Michael A. Salvidio, CPA
James R. Dube, CPA

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, 2006 and 2005, which was presented in the preceding section of this report. The supplemental information presented on pages 27 and 28 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
September 21, 2007

**HINGHAM MUNICIPAL LIGHTING PLANT
SCHEDULES OF SALES OF ELECTRICITY
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	2006	2005
SALE OF ELECTRICITY:		
Residential	\$ 11,006,409	\$ 10,088,240
Commercial and Industrial	10,761,364	9,476,257
Municipal	1,258,708	1,271,135
Security Lighting	61,016	60,059
Forfeited Discounts	416,670	397,808
TOTAL SALES OF ELECTRICITY	\$ 23,504,167	\$ 21,293,499

See Independent Auditors' Report on Supplemental Information

**HINGHAM MUNICIPAL LIGHTING PLANT
SCHEDULES OF OPERATIONS AND MAINTENANCE EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
POWER PRODUCTION EXPENSES:		
Purchased Power	\$ 17,738,235	\$ 15,785,926
Transmission and Other Purchased Power Charges	<u>1,463,601</u>	<u>1,110,207</u>
Total Power Production Expenses	<u>19,201,836</u>	<u>16,896,133</u>
DISTRIBUTION EXPENSES:		
Miscellaneous Distribution Expenses	<u>646,438</u>	<u>436,215</u>
MAINTENANCE EXPENSES:		
Maintenance of Lines	285,842	743,080
Maintenance - Other	<u>26,304</u>	<u>22,556</u>
Total Maintenance Expenses	<u>312,146</u>	<u>765,636</u>
CUSTOMER ACCOUNTS:		
Customer Accounting and Collection Expense	415,994	372,439
Meter Reading Expense	<u>175,917</u>	<u>201,534</u>
Total Customer Accounts	<u>591,911</u>	<u>573,973</u>
GENERAL AND ADMINISTRATIVE EXPENSES:		
Administrative and General Salaries	249,833	283,468
Office Supplies and Expenses	32,045	19,730
Outside Services Employed	133,530	269,902
Property Insurance	152,002	143,728
Injuries and Damages	14,185	4,250
Employees' Pension and Benefits	592,812	412,218
Dues, Meetings, and Other General Expenses	42,293	29,216
Transportation	85,450	69,245
Rent	31,105	15,814
Maintenance of General Plant	<u>9,043</u>	<u>16,653</u>
Total General and Administrative Expenses	<u>1,342,298</u>	<u>1,264,224</u>
TOTAL OPERATIONS AND MAINTENANCE EXPENSES	<u><u>\$ 22,094,629</u></u>	<u><u>\$ 19,936,181</u></u>

See Independent Auditors' Report on Supplemental Information