

**HINGHAM MUNICIPAL LIGHTING PLANT**  
Financial Statements  
December 31, 2008 and 2007

HINGHAM MUNICIPAL LIGHTING PLANT  
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DECEMBER 31, 2008 AND 2007

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# Goulet, Salvidio & Associates, P.C.

Certified Public Accountants

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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, 2008 and 2007, 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.

As discussed in Note 1, the financial statements present only the Hingham Municipal Lighting Plant and do not purport to, and do not, present fairly the financial position of the Town of Hingham, Massachusetts, as of December 31, 2008 and 2007, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based on our audits, 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, 2008 and 2007, 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  
May 22, 2009

## 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, 2008 and 2007. 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, 2008, it shows our net worth has increased 1.1% over the year ended December 31, 2007.

The Statements of Revenues, Expenses and Changes in Net Assets, summarizes our operating results and reveals how much net income was earned for the year. As discussed in more detail, our net income for December 31, 2008 and 2007 was \$170,684 and \$908,421 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

	2008	2007
Current Assets	\$ 5,313,051	\$ 5,533,371
Non-current Assets	32,651,450	31,819,236
Total Assets	<u>\$ 37,964,501</u>	<u>\$ 37,352,607</u>
Current Liabilities	\$ 6,686,787	\$ 5,779,740
Non-current Liabilities	2,802,811	3,412,876
Total Liabilities	<u>9,489,598</u>	<u>9,192,616</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	25,528,114	24,511,282
Unrestricted	2,946,789	3,648,709
Total Net Assets	<u>28,474,903</u>	<u>28,159,991</u>
Total Liabilities and Net Assets	<u>\$ 37,964,501</u>	<u>\$ 37,352,607</u>

### Summary of Changes in Net Assets

	2008	2007
Operating Revenues	\$ 27,622,993	\$ 26,367,251
Operating Expenses	27,682,805	25,789,796
Operating Income	(59,812)	577,455
Non-operating Revenues (Expenses)	230,496	330,966
Income Before Contributions and Transfers	170,684	908,421
Transfers In (Out) - Retirement Fund	0	(2,275,925)
Transfers In - Restricted for Capital Projects	690,532	1,289,484
Transfers Out – Payments in Lieu of Taxes	(546,304)	(647,750)
Beginning Net Assets	28,159,991	28,885,761
Ending Net Assets	\$ 28,474,903	\$ 28,159,991

#### **Financial Highlights:**

Operating revenues increased \$1,255,742 in 2008 or approximately 4.8%. This increase in revenue can be attributed to a slight increase in kilowatt usage and power cost adjustments.

Operating expenses increased \$1,893,009 in 2008, or approximately 7.3%. This increase in expenses can be attributed to a significant increase in purchased power costs over the budget due to the high cost of oil and natural gas that occurred in mid-2008, increased capacity and transmission charges implemented by ISO-NE.

The Hingham Municipal Lighting Plant is continuing to experience load growth in its system, even in a down economy, and will continue to grow at a reasonable rate over the next few years. The Derby Street Shoppes', Erickson Retirement Community, Blue Cross/Blue Shield and the Hingham Shipyard projects have increased the peak electrical usage by more than 30%. Hingham Light has prepared for this growth by developing a rolling five year Capital Plan to identify the required projects to meet this unprecedented growth. This growth has required capital spending by the Lighting Plant to provide the facilities necessary to accommodate these new customers and development. The Lighting Plant was able to fund these capital infrastructure improvements from internal sources with no borrowing required. The Lighting 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 Hingham Municipal Lighting Plant has added to the system in order to serve the new customers.

### **Financial Highlights (Continued):**

The Hingham Municipal Lighting Plant experienced, on June 10, 2008, its all-time peak usage at 52.0 MW. This represents an increase in peak load of 30% in the past two years. During 2008, the kilowatt-hour usage in the system remained flat, as most systems experienced sharp decreases in their usage. The new growth and continued steady increases in the residential sector contributed to this result.

The Hingham Municipal Lighting Board voted to purchase a 5% owner's interest in the Energy New England Company. This organization is the premier power supply and risk management organization in New England and its ownership is made up of several Massachusetts and one Connecticut municipal electric system. This ownership and relationship gives Hingham Municipal Lighting Plant an opportunity to bolster its power supply portfolio and strengthen its risk management area, by having professional power supply individuals assisting the system in its short and long term supply options. The ownership also serves as an investment for the system in an organization that is growing its business.

### **Debt Administration and Utility Plant:**

#### Debt Administration

The Hingham Municipal Lighting Plant remains a vertically integrated utility, as do all Municipal Light Departments in Massachusetts. This means that we are allowed under the Massachusetts Utility Restructuring Laws to retain our ownership and control over our electrical generation assets. Investor owned utilities, such as National Grid and NSTAR, 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 \$570 million of which Hingham Municipal Lighting Plant's share is just over \$20.8 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.

## **Debt Administration and Utility Plant (Continued):**

### Utility Plant

Net utility plant increased by \$1,016,832 from 2007. This increase is the difference between the current year additions of \$2,265,012 and the annual depreciation write off of \$1,248,180. The Light Plant continues to add infrastructure to its system to provide service to the new growth in Town.

Hingham Municipal Lighting Plant continues to work on the installation and implementation of a new Enterprise Resource Planning (ERP) computer program with Cogsdale. The Cogsdale billing system went into production in late 2007. This system allows 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. The remaining modules of the system will be installed in 2009.

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.

## **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. The Hingham Municipal Lighting Plant's pension system liability was met with a transfer to the pension system in October 2007 and fully funded the pension obligation for the Hingham Municipal Lighting Plant's employees as of July 1, 2007. This is a significant liability that the Light Plant has been able to address and put itself in a position to have the liability fully funded several years ahead of the required date.

### Depreciation Fund

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

## **Significant Balances and Transactions (Continued):**

### 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, 2008 and 2007 was \$1,724,467 and \$2,472,611, respectively. The rate stabilization fund was used in 2008 to help offset the significant increase in power costs during the global price increase in mid-2008, without having to increase the rates to the customers of the Lighting Plant.

- \* 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.

### Purchased Power Working Capital

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

### Insurance Escrow Reserve Fund

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



HINGHAM MUNICIPAL LIGHTING PLANT  
STATEMENTS OF NET ASSETS  
DECEMBER 31, 2008 AND 2007

ASSETS

	2008	2007
<b>CURRENT ASSETS:</b>		
Funds on Deposit with Town Treasurer		
Operating Cash	\$ 13,347	\$ 15,066
Accounts Receivable, Net	2,551,277	2,382,989
Other Receivable	433,040	331,602
Materials and Supplies	903,021	1,298,956
Prepaid Power Contracts	902,992	812,601
Purchased Power Working Capital	509,374	692,157
	5,313,051	5,533,371
<b>TOTAL CURRENT ASSETS</b>		
<b>NONCURRENT ASSETS:</b>		
Funds on Deposit with Town Treasurer		
Depreciation Fund	2,630,162	2,294,428
Customer Deposits	980,105	941,045
Insurance Reserve Fund	253,687	253,687
Rate Stabilization Fund	1,724,467	2,472,611
Pension Fund	1,343,909	1,143,706
Investments	191,006	202,477
Utility Plant Assets, Net	25,528,114	24,511,282
	32,651,450	31,819,236
<b>TOTAL NONCURRENT ASSETS</b>		
<b>TOTAL ASSETS</b>	<b>\$ 37,964,501</b>	<b>\$ 37,352,607</b>

See Accompanying Notes To Financial Statements

HINGHAM MUNICIPAL LIGHTING PLANT  
STATEMENTS OF NET ASSETS  
DECEMBER 31, 2008 AND 2007

LIABILITIES

	2008	2007
CURRENT LIABILITIES:		
Accounts Payable	\$ 1,576,737	\$ 1,576,482
Accounts Payable - Related Party	2,887,622	2,280,986
Accrued Expenses	152,275	194,138
Customer Advances for Construction	2,031,130	1,688,827
Sales Tax Payable	39,023	39,307
 TOTAL CURRENT LIABILITIES	 6,686,787	 5,779,740
 NONCURRENT LIABILITIES:		
Customer Deposits	983,250	940,265
Net Other Post Employment Benefits Obligation	95,094	0
Rate Stabilization Reserve	1,724,467	2,472,611
 TOTAL NONCURRENT LIABILITIES	 2,802,811	 3,412,876
 TOTAL LIABILITIES	 9,489,598	 9,192,616
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	25,528,114	24,511,282
Unrestricted	2,946,789	3,648,709
 TOTAL NET ASSETS	 28,474,903	 28,159,991
 TOTAL LIABILITIES AND NET ASSETS	 \$ 37,964,501	 \$ 37,352,607

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, 2008 AND 2007

	2008	2007
OPERATING REVENUES:		
Sales of Electricity	\$ 27,377,400	\$ 26,256,357
Other Operating Revenues	245,593	110,894
	27,622,993	26,367,251
OPERATING EXPENSES:		
Operations and Maintenance	26,434,625	24,603,260
Depreciation	1,248,180	1,186,536
	27,682,805	25,789,796
	(59,812)	577,455
NONOPERATING REVENUES (EXPENSES):		
Investment Income	234,511	395,080
Interest Expense	(4,015)	(64,114)
	230,496	330,966
Income Before Contributions and Transfers	170,684	908,421
NET ASSETS - January 1	28,159,991	28,885,761
Transfers Out - Retirement Fund	0	(2,275,925)
Transfers In - Restricted for Capital Projects	690,532	1,289,484
Transfers Out - Payments in Lieu of Taxes	(546,304)	(647,750)
NET ASSETS - December 31	\$ 28,474,903	\$ 28,159,991

See Accompanying Notes To Financial Statements

HINGHAM MUNICIPAL LIGHTING PLANT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received from Customers	\$ 27,321,325	\$ 26,491,509
Cash Paid to Suppliers	(22,442,092)	(21,987,390)
Cash Paid to Employees	(2,567,786)	(2,290,903)
Cash Paid for Benefits	(856,845)	(728,666)
Payment in Lieu of Taxes	(497,750)	(624,048)
	956,852	860,502
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Interest Expense	(4,015)	(48,514)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Accounts Payable - Related Party	606,636	267,015
Additions to Plant Assets	(2,135,470)	(2,102,261)
Additions to Construction in Progress	(129,542)	(212,647)
Principal Repayment on Bonds Payable	0	(300,000)
Customer Advances for Construction	1,032,835	1,436,692
Interest Expense	0	(15,600)
	(625,541)	(926,801)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Transfer to Hingham Contributory Retirement System	0	(2,128,216)
Investment Income	234,511	395,080
Rate Stabilization Reserve	(748,144)	100,801
Purchases of Investments	0	(150,000)
Proceeds from Disposition of Investments	11,471	0
	(502,162)	(1,782,335)
Net Cash Provided (Used) by Investing Activities	(502,162)	(1,782,335)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(174,866)	(1,897,148)
CASH AND CASH EQUIVALENTS - Beginning	7,120,543	9,017,691
CASH AND CASH EQUIVALENTS - Ending	\$ 6,945,677	\$ 7,120,543

See Accompanying Notes To Financial Statements

HINGHAM MUNICIPAL LIGHTING PLANT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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

	2008	2007
Operating Income (Loss)	\$ (59,812)	\$ 577,455
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	1,248,180	1,186,536
Payment in Lieu of Taxes	(497,750)	(624,048)
Non-Cash Payment in Lieu of Taxes	(59,096)	0
Payment of Pension	0	(147,709)
(Increase) Decrease in Assets:		
Accounts Receivable	(168,288)	51,192
Other Receivables	(101,438)	0
Materials and Supplies	395,935	(465,559)
Prepaid Expenses	(90,391)	93,927
Purchased Power Working Capital	182,783	(55)
Increase (Decrease) in Liabilities:		
Accounts Payable	255	113,292
Accrued Expenses	(31,321)	(3,499)
Sales Tax Payable	(284)	1,250
Customer Deposits	42,985	77,720
Net Other Post Employment Benefits Obligation	95,094	0
	\$ 956,852	\$ 860,502

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

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

	2008	2007
Depreciation Fund	\$ 2,630,162	\$ 2,294,428
Operating Cash	13,347	15,066
Customer Deposits	980,105	941,045
Insurance Reserve Fund	253,687	253,687
Pension Fund	1,343,909	1,143,706
Rate Stabilization Fund	1,724,467	2,472,611
	\$ 6,945,677	\$ 7,120,543

See Accompanying Notes To Financial Statements

HINGHAM MUNICIPAL LIGHTING PLANT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Reporting Entity

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

The Light Department adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions - for State and Local Governments*, in 2008.

Under Massachusetts Law, electric rates of the Lighting Plant are set by the Municipal Light Board and may be changed not more than once every three months. Rate schedules are filed with the Massachusetts Department of Public Utilities. While the DPU exercises general supervisory authority over the Lighting Plant, the rates are not subject to DPU approval. Rates must be set such that net earnings from operations do not exceed 8% of the cost of the utility plant.

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 DPU. The Lighting Plant has used a rate of 3% for 2008 and 2007. The Lighting Plant charges maintenance to expense when incurred. Replacements and betterments are charged to the utility plant.

HINGHAM MUNICIPAL LIGHTING PLANT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007

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

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.

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 2007 financial statements have been reclassified to conform to the 2008 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.

Union employees are permitted to carry over 10 vacation days from one year to the next. Upon termination of employment with the Lighting Plant, the employee will be paid for unused vacation time based on the employee's base rate of pay at the time of termination.

HINGHAM MUNICIPAL LIGHTING PLANT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007

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

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 Lighting 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 2008 and 2007, respectively.

Sales Tax

The Lighting Plant collects sales tax. The amount received is credited to a liability account and as payments are made, this account is charged. At any point in time, this account represents the net amount owed to the taxing authority for amounts collected but not remitted.

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. The lighting plant will also use this fund to help them maintain their 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 \$748,144 for 2008 and an increase of \$100,801 for 2007. 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. During 2007, \$2,128,216 was transferred over to the town which fully funded the pension obligation based on the actuarial amount given to the Lighting Plant by the retirement board as of July 1, 2007.



HINGHAM MUNICIPAL LIGHTING PLANT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007

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 \$509,374 as of December 31, 2008 and \$692,157 as of December 31, 2007.

NOTE 7 - UTILITY PLANT ASSETS:

	Balance January 1, 2008	Increases	Decreases	Balance December 31, 2008
	<u>2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>2008</u>
Capital assets not being depreciated:				
Land	\$ 17,856	\$ 0	\$ 0	\$ 17,856
Construction in Progress	<u>371,893</u>	<u>129,542</u>	<u>212,647</u>	<u>288,788</u>
 Total	 <u>389,749</u>	 <u>129,542</u>	 <u>212,647</u>	 <u>306,644</u>
Capital assets being depreciated:				
Transmission Plant	1,538,041	281	0	1,538,322
Distribution Plant	35,748,503	2,214,626	(21,443)	37,941,686
General Plant	<u>4,319,280</u>	<u>133,210</u>	<u>(41,315)</u>	<u>4,411,175</u>
 Total	 <u>41,605,824</u>	 <u>2,348,117</u>	 <u>(62,758)</u>	 <u>43,891,183</u>
Less accumulated depreciation for:				
Transmission Plant	(1,025,945)	(46,141)	0	(1,072,086)
Distribution Plant	(13,923,104)	(1,072,460)	21,443	(14,974,121)
General Plant	<u>(2,535,242)</u>	<u>(129,579)</u>	<u>41,315</u>	<u>(2,623,506)</u>
 Total accumulated depreciation	 <u>(17,484,291)</u>	 <u>(1,248,180)</u>	 <u>62,758</u>	 <u>(18,669,713)</u>
 Capital assets being depreciated, Net	 <u>24,121,533</u>	 <u>1,099,937</u>	 <u>0</u>	 <u>25,221,470</u>
 Utility Plant Assets, Net	 <u>\$ 24,511,282</u>	 <u>\$ 1,229,479</u>	 <u>\$ 212,647</u>	 <u>\$ 25,528,114</u>

HINGHAM MUNICIPAL LIGHTING PLANT  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2008 AND 2007

NOTE 8 – OTHER RECEIVABLES:

Other receivables consist of the following:

	2008	2007
Other Receivable - Town of Hingham	\$ 113,062	\$ 268,209
Miscellaneous Jobbing Receivables	319,978	63,393
 Total Other Receivables	 \$ 433,040	 \$ 331,602

NOTE 9 - INVESTMENTS:

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

Hingham Municipal Lighting Plant invested \$150,000 for an ownership interest in Energy New England, LLC that's currently 5%. Energy New England, LLC, is a non public energy and energy services cooperative formed to aggregate the resources and collective buying power of municipal electric systems. Products and services include power supply/power brokering, risk management, all requirements contracts, total system resource management, consolidated wholesale billing, report preparation and filing and energy market services. The investment is stated at cost.

NOTE 10 - CUSTOMER ADVANCES FOR CONSTRUCTION:

There is a project under construction in Hingham. The Lighting Plant has received \$1,834,496 from a customer for the renovation to the shipyards. As of December 31, 2008 the Lighting Plant has incurred costs of \$1,205,007.

There are smaller projects of which the Lighting Plant has received \$134,827 from their customers. As of December 31, 2008, the Lighting Plant has incurred costs of \$106,816 related to these projects.

NOTE 11 - 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 were due annually on July 15 and interest is due biannually on January 15 and July 15. The bonds matured on July 15, 2007.

HINGHAM MUNICIPAL LIGHTING PLANT  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2008 AND 2007

NOTE 12 - INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT:

	2008	2007
Cost of Capital Assets Acquired	\$ 44,197,827	\$ 41,995,577
Less: Accumulated Depreciation	18,669,713	17,484,295
Invested in Capital Assets, Net of Related Debt	\$ 25,528,114	\$ 24,511,282

NOTE 13 - 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 14 - UNBILLED REVENUE:

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

NOTE 15 - 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 \$1,171,986 in 2008 and \$1,124,254 in 2007. Included in the accompanying statements of net assets as of December 31, 2008 and 2007 is \$101,824 and \$70,972, 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 \$837,514 in 2008 and \$887,956 in 2007. Included in the accompanying statements of net assets as of December 31, 2008 and 2007 is \$255,905 and -0-, respectively of amounts due to the Town.

In 2008 and 2007, the Lighting Plant made payments in lieu of property taxes to the Town in the amount of \$546,304 and \$647,750, respectively. Included in the payments for 2008 is \$59,096 for street lighting not billed to the town. The regular payment due for 2007 was \$497,750 with a board voted additional one time payment of \$150,000.

In addition, the Lighting Plant owes the Town \$2,144,509 and \$1,783,236 as of December 31, 2008 and 2007, respectively. A large portion of this amount is a timing difference between the Lighting Plant and the Town.

HINGHAM MUNICIPAL LIGHTING PLANT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007

NOTE 16 - 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.

HINGHAM MUNICIPAL LIGHTING PLANT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007

NOTE 16 - PENSION PLAN (Continued):

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

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 for the current year amounted to \$143,940. The amount charged to retirement trust fund was \$294,285 and \$285,215 for the years ended December 31, 2007 and 2006, 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.

During 2007, \$2,128,216 from our pension fund was remitted to the town's retirement fund to fully fund the Lighting Plant's retirement liability according to actuarial calculations as of July 1, 2007. The balance in the pension fund as of December 31, 2007 of \$1,143,706 will be used toward funding our OPEP liability.

NOTE 17 - 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 entities 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, 2008 AND 2007

NOTE 18 - LEASES:

The Lighting Plant has an operating lease agreement to lease antenna space. This lease expires in 2009 and has one sixty-month renewal option. Rent expense related to this lease was approximately \$5,548 and \$5,280 for the years ended December 31, 2008 and 2007, respectively.

NOTE 19 - 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. 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 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, 2008 and 2007, the Lighting Plant considers it's pro rata share of these losses to be immaterial to its financial statements.

HINGHAM MUNICIPAL LIGHTING PLANT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007

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.

Power Purchase Commitments

Hingham Municipal Lighting Plant has entered into a contract with Integrys Energy Service to purchase 10 MWs per year. This purchase power contract is effective from 2006 thru 2010 with an estimated annual cost of \$7,047,420.

Hingham Municipal Lighting Plant has entered into various power contracts through Energy New England (ENE), as their acting agent. These power contracts began in 2008 and go through to the year 2015.

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

MMWEC has issued separate issues of revenue 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, LLC, a subsidiary of FPL Energy, LLC and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit, operated by Dominion Nuclear Connecticut, Inc. (DNCI), the majority owner and an indirect subsidiary of Dominion Resources, Inc. DNCI also owns and operates Millstone Unit 2 nuclear unit. The operating license for the Millstone Unit 3 nuclear unit extends 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 (FPLE Seabrook), the majority owner and an indirect subsidiary of FPL Group, Inc. The operating license for Seabrook Station extends to March, 2030. FPLE Seabrook has stated its intention to request an extension of the Seabrook Station operating license beyond March 2030.

HINGHAM MUNICIPAL LIGHTING PLANT  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2008 AND 2007

NOTE 20 - COMMITMENTS AND CONTINGENCIES (Continued):

Pursuant to the PSAs, the MMWEC Seabrook and Millstone Project Participants are liable for their proportionate share of the costs associated with decommissioning the plants, which costs are being funded through monthly Project billings. Also, the Project Participants are liable for their proportionate share of the uninsured costs of a nuclear incident that might be imposed under the Price-Anderson Act (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 actions will not have a material adverse effect on the financial position of the Lighting Plant.

As of December 31, 2008, total capital expenditures for MMWEC's Projects amounted to \$1,551,793,000, of which \$61,140,000 represents the amount associated with the Lighting Plant's share of Project Capability of the Projects in which it participates, although such amount is not allocated to the Lighting Plant. MMWEC's debt outstanding for the Projects includes Power Supply System Revenue Bonds totaling \$570,245,000, of which \$20,785,000 is associated with the Lighting Plant's share of Project Capability of the Projects in which it participates, although such amount is not allocated to the Lighting Plant. As of December 31, 2008, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$663,144,000, of which \$24,275,000 is anticipated to be billed to the Lighting Plant in the future.

In addition, under the PSAs, the Lighting Plant is required to pay to MMWEC its share of the Operation and Maintenance (O&M) costs of the Projects in which it participates. The Lighting Plant's total O&M costs including debt service under the PSAs were \$7,443,000 and \$7,518,000 for the years ended December 31, 2008 and 2007, respectively.

HMLP's annual energy costs related to its long-term power purchase commitments as of 2008 are approximately as follows:

For Years Ended December 31,	2009	\$	19,163,225
	2010		11,435,572
	2011		7,127,036
	2012		7,083,582
	2013		5,628,055
	2014 TO 2018		9,561,745
	2019		<u>223,000</u>
	TOTAL	\$	<u>60,222,215</u>



HINGHAM MUNICIPAL LIGHTING PLANT  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2008 AND 2007

NOTE 21 - OTHER POSTEMPLOYMENT BENEFITS (OPEB):

December 31, 2008 is the initial year that Hingham Municipal Lighting Plant (HMLP) has implemented GASB Statement 45, *Accounting for Financial Reporting by Employers for Post Employment Benefits Other than Pensions*. As allowed by GASB 45, the Lighting Plant has established the net OPEB obligation at zero at the beginning of the transition year and has applied the measurement recognition requirements of GASB 45 on a prospective basis.

*Plan Description.* HMLP participates in the town sponsored single employer defined benefit health plan. HMLP provides certain health care and life insurance benefits for eligible retirees and their spouses. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan.

As of July 1, 2006 HMLP's membership consisted of the following:

Current retirees, beneficiaries	17
Current active members	<u>29</u>
Total	<u><u>46</u></u>

*Funding Policy.* HMLP recognizes the cost of providing these benefits, in accordance with government accounting standards, on a pay-as-you-go basis, by expensing the annual insurance premiums charged HMLP by the Town, which aggregated approximately \$290,124 for the year ended December 31, 2008. The cost of providing these benefits for retirees is about 50% of the premium. Retired plan members currently receiving benefits are required to contribute 50% of the cost of benefits provided depending on the plan they choose. HMLP contributes \$11.10 monthly for a life insurance benefit, if elected.

*Funded Status and Funding Progress.* Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

HINGHAM MUNICIPAL LIGHTING PLANT  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2008 AND 2007

NOTE 21 - OTHER POSTEMPLOYMENT BENEFITS (Continued):

*Annual OPEB Costs.* HMLP'S annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following shows the components of the Lighting Plant's annual OPEB cost for the year ending December 31, 2008, the amount actually contributed to the plan, and changes in the Lighting Plant's net OPEB obligation based on an actuarial valuation as of July 1, 2006:

Normal Cost with interest	\$	64,767
Amortization of unfunded actuarial accrued liability with interest		104,821
Annual required contribution		169,588
Contributions made		( 74,494)
 Increase in net OPEB Obligation		 95,094
 Net OPEB obligation - Beginning of Year		 0
 Net OPEB obligation end of year		 \$ 95,094

The Lighting Plant's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Year ended</u>	<u>Annual OPEB Costs</u>	<u>Percentage of OPEB cost contributed</u>	<u>Net OPEB obligation</u>
2008	\$ 169,588	44%	\$ 95,094

HINGHAM MUNICIPAL LIGHTING PLANT  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2008 AND 2007

NOTE 21 - OTHER POSTEMPLOYMENT BENEFITS (Continued):

Legislature was passed allowing Municipal Light Departments to create a trust, in order to fund their OPEB obligation. Hingham Lighting Plant did not create a trust for 2008, but had a Board vote March, 2009 to create a trust and voted to transfer \$1,461,000 into the trust toward funding this obligation. In light of this, we have accrued the ARC using the actuarial funded method as this will be the method used for future years.

The funded status is as follows:

Actuarial accrued liability (AAL)		\$ 1,953,952
Actuarial value of plan assets		<u>0</u>
Unfunded actuarial accrued liability		\$ 1,953,952
Funded Ratio (actuarial value of plan assets/AAL)		0%
Covered Payroll (active plan members)		\$ 2,567,786
UAAL as a percentage of covered payroll		76.09%

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the Lighting Plant and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2006, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included an 8.0% investment rate of return and an annual healthcare cost trend rate of 9.5%, initially, reduced by decrements to an ultimate rate of 5% after 9 years. The health care cost trend rate differs between the master medical and other healthcare plans. The Lighting Plant's unfunded actuarial accrued liability is being amortized assuming 4.5% increases on an open basis. The remaining amortization period at July 1, 2006 was thirty years.

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

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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, 2008 and 2007, 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  
May 22, 2009

HINGHAM MUNICIPAL LIGHTING PLANT  
 SCHEDULES OF SALES OF ELECTRICITY  
 FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
SALE OF ELECTRICITY:		
Residential	\$ 12,415,082	\$ 11,735,061
Commercial and Industrial	13,740,663	13,185,589
Municipal	1,197,272	1,280,779
Security Lighting	24,383	54,928
 TOTAL SALES OF ELECTRICITY	 \$ 27,377,400	 \$ 26,256,357

See Independent Auditors' Report on Supplemental Information

HINGHAM MUNICIPAL LIGHTING PLANT  
SCHEDULES OF OPERATIONS AND MAINTENANCE EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
<b>POWER PRODUCTION EXPENSES:</b>		
Purchased Power	\$ 21,959,810	\$ 19,679,938
Transmission and Other Purchased Power Charges	1,096,381	1,266,141
Total Power Production Expenses	23,056,191	20,946,079
<b>DISTRIBUTION EXPENSES:</b>		
Miscellaneous Distribution Expenses	679,277	613,824
<b>MAINTENANCE EXPENSES:</b>		
Maintenance of Lines	254,724	554,553
Maintenance - Other	17,722	16,778
Total Maintenance Expenses	272,446	571,331
<b>CUSTOMER ACCOUNTS:</b>		
Customer Accounting and Collection Expense	638,517	542,963
Meter Reading Expense	138,214	152,437
Total Customer Accounts	776,731	695,400
<b>GENERAL AND ADMINISTRATIVE EXPENSES:</b>		
Administrative and General Salaries	256,840	286,137
Office Supplies and Expenses	20,920	20,473
Outside Services Employed	69,474	102,800
Property Insurance	122,856	128,998
Injuries and Damages	34,283	258,648
Employees' Pension and Benefits	856,845	728,666
Dues, Meetings, and Other General Expenses	139,407	137,302
Transportation	106,274	79,428
Rent	17,543	18,651
Maintenance of General Plant	25,538	15,523
Total General and Administrative Expenses	1,649,980	1,776,626
<b>TOTAL OPERATIONS AND MAINTENANCE EXPENSES</b>	<b>\$ 26,434,625</b>	<b>\$ 24,603,260</b>

See Independent Auditors' Report on Supplemental Information