

HINGHAM MUNICIPAL LIGHTING PLANT
Financial Statements
December 31, 2015 and 2014

HINGHAM MUNICIPAL LIGHTING PLANT
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DECEMBER 31, 2015 AND 2014

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INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
Hingham Municipal Lighting Plant
350 Lincoln Street – Suite 1101
Hingham, MA 02043

We have audited the accompanying financial statements of Hingham Municipal Lighting Plant as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Lighting Plant's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Hingham Municipal Lighting Plant as of December 31, 2015 and 2014, and the respective changes in financial position and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Hingham Municipal Lighting Plant and do not purport to, and do not, present fairly the financial position of the Town of Hingham, Massachusetts, as of December 31, 2015 and 2014, and the changes in financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Other Postemployment Benefits and Net Pension Liability information on pages three through six and 34 through 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Sales of Electricity and Schedules of Operations and Maintenance Expenses on pages 37 and 38 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Goulet, Salvidio & Associates, P.C.

Goulet, Salvidio & Associates, P.C.

Worcester, Massachusetts
June 30, 2016

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, 2015 and 2014. The Plant's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Overview of the Financial Statements:

The basic financial statements include (1) the statements of net position (2) the statements of revenues, expenses and changes in net position (3) the statements of cash flows and (4) notes to the financial statements.

The Statements of Net Position are designed to indicate our financial position as of a specific point in time. At December 31, 2015, it shows our net worth has increased 9.0% over the year ended December 31, 2014.

The Statements of Revenues, Expenses and Changes in Net Position, summarizes our operating results and reveals how much net income was earned for the year. As discussed in more detail, our net income for December 31, 2015 and 2014 was \$3,729,759 and \$3,481,738, respectively.

The Statements of Cash Flows provides information about the cash receipts and cash payments during the accounting period. It also provides information about the investing and financing activities for the same period.

Summary of Net Position – Operating Fund

	2015	2014 (As Revised)
Current Assets	\$ 8,173,697	\$ 6,214,642
Noncurrent Assets	42,615,815	41,211,903
Total Assets	50,789,512	47,426,545
Deferred Outflows of Resources	312,771	246,899
Total Assets and Deferred Outflows of Resources	\$ 51,102,283	\$ 47,673,444
Current Liabilities	\$ 3,044,718	\$ 3,632,263
Noncurrent Liabilities	4,025,997	3,969,470
Total Liabilities	7,070,715	7,601,733
Deferred Inflows of Resources	5,073,527	4,339,349
Net Position:		
Net Investment in Capital Assets	28,447,863	22,406,335
Net Position Restricted for Depreciation	7,389,478	12,651,262
Unrestricted Net Position	3,120,700	674,765
Total Net Position	38,958,041	35,732,362
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 51,102,283	\$ 47,673,444

Summary of Changes in Net Position – Operating Fund

	2015	2014 (As Revised)
Operating Revenues	\$ 31,359,635	\$ 31,468,866
Operating Expenses	27,690,233	28,050,004
Operating Income	3,669,402	3,418,862
Nonoperating Revenues	60,357	62,876
Income Before Contributions and Transfers	3,729,759	3,481,738
Transfers Out – Payments in Lieu of Taxes	(504,080)	(499,217)
Beginning Net Position	35,732,362	32,749,841
Ending Net Position	\$ 38,958,041	\$ 35,732,362

Financial Highlights:

Operating revenues decreased \$109,231 in 2015 or approximately 0.3%.

Operating expenses decreased \$359,771 in 2015, or approximately 1.3%. This decrease in expenses can be attributed in large part to falling power cost charges. The price of natural gas, the predominant fuel for our generation, has dropped so it stands to follow that our overall expenses will decrease as power supply is HMLP's largest category of costs.

Over the past several years the Lighting Plant has experienced significant load growth in its system, even in a down economy. There are not any large development projects on the immediate horizon so we believe an increase in sales will be more weather dependent than based on appreciable new load. We expect the Hingham Shipyard project has largely finished building out commercial space. There is room and there were plans for additional residential housing, but it remains to be seen if that will come to fruition in the near future. We do not expect growth to continue at the same rate as it has in the past. The Lighting Plant system is well situated for growth as we continue to make capital improvements to our infrastructure. The Lighting Plant has funded 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 Hingham Municipal Lighting Plant experienced, on July 20, 2015, its annual peak usage at 51.7 MW. This represents an increase in peak load of 2.46% from 2014 and is approximately 9.5% less than our all-time peak which occurred in 2011. During 2015 the kilowatt-hour usage in the system was basically flat: a 1MW increase on a total load of 207.6k MW. The Lighting Plant estimates kilowatt-hour usage to be flat for 2016 as well.

The Lighting Plant has a 5% ownership 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 systems. This ownership and relationship gives the 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. ENE has been instrumental in HMLP increasing its renewable energy portfolio and being able to secure purchase power contracts at very attractive rates.

Financial Highlights (Continued):

The number of customers who pay their bills online or with a credit card continues to rise. We are averaging approximately 1,000 customers a month paying in that manner.

The weather in 2015 was generally colder in both winter and summer which was reflected in basically flat sales. The winter saw record setting single snowstorms and total accumulations which stressed the distribution system. The winter months were colder than 2014, but gas prices were lower which helped stabilize prices. The summer also was cooler than 2014.

HMLP acquired land from the Town in 2013 upon which we are building a new service center. This new facility will allow our clerical and administrative employees to be under the same roof as our field employees. This will be a plus for the customer as it will allow them to conduct all of their on-site HMLP business in one location, will promote better communication between all our employees and customers, and should provide opportunities for synergies between these groups and allow for better oversight. Construction commenced in April of 2015 and is expected to be completed in 2016.

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 \$112 million of which Hingham Municipal Lighting Plant's share is just over \$4.3 million. The interest has been, and will continue to be paid with revenues received from the sales of electricity.

Utility Plant

Net utility plant increased by \$6,041,528 from 2014. This increase is the difference between the current year additions of \$8,558,132 and the annual depreciation write off of \$2,516,604. The Light Plant continues to add infrastructure to its system to provide service to the new growth in Town.

The Lighting Plant completed 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.

In an effort to keep power outages to a minimum and provide an asset database, the 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. A further benefit to this mapping was achieved when the online outage management system we purchased became fully operational. This system will help us better track outages and identify the likely source of the trouble.

Significant Balances and Transactions:

Pension Fund

The Pension Fund's purpose is to set aside monies for retirement costs attributable to the Lighting Plant's retirees for whom the Town of Hingham is assessed annually by Massachusetts Contributory Retirement System, and to satisfy the Plant's anticipated future pension liabilities for its current employees. During 2015, the Lighting Plant implemented GASB #68 and #71, which requires all governmental units to recognize their net pension liability. As a result, the Lighting Plant recognized a \$2.3 million net pension liability related to its future pension commitments.

OPEB Trust Fund

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

Depreciation Fund

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

Rate Stabilization Fund

These funds are for unexpected escalation in costs, such as the decommissioning of nuclear power plants before the end of their operating license, unusual price spikes in fuel prices and transmission cost increases. We increased our contributions to this fund to better position us for any increases.

Purchased Power Working Capital

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

Insurance Escrow Reserve Fund

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

HINGHAM MUNICIPAL LIGHTING PLANT
STATEMENTS OF NET POSITION
DECEMBER 31, 2015 AND 2014

OPERATING FUND

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2015	2014 (As Revised)
CURRENT ASSETS:		
Funds on Deposit with Town Treasurer		
Operating Cash	\$ 2,645,566	\$ 856,331
Accounts Receivable, Net	2,223,626	2,381,881
Accounts Receivable, Related Party	94,149	113,603
Other Receivable	284,439	174,648
Materials and Supplies	882,316	774,561
Prepaid Power Contracts	1,015,691	873,829
Purchased Power Working Capital	1,027,910	1,039,789
TOTAL CURRENT ASSETS	8,173,697	6,214,642
NONCURRENT ASSETS:		
Funds on Deposit with Town Treasurer		
Depreciation Fund	7,389,478	12,651,262
Customer Deposits	1,646,306	1,625,389
Insurance Reserve Fund	253,687	253,687
Rate Stabilization Fund	4,711,606	4,098,355
Investments	166,875	176,875
Utility Plant Assets, Net	28,447,863	22,406,335
TOTAL NONCURRENT ASSETS	42,615,815	41,211,903
TOTAL ASSETS	50,789,512	47,426,545
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows of Resources Related to Pensions	312,771	246,899
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 51,102,283	\$ 47,673,444

See Accompanying Notes to Financial Statements

HINGHAM MUNICIPAL LIGHTING PLANT
STATEMENTS OF NET POSITION
DECEMBER 31, 2015 AND 2014

OPERATING FUND

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2015	2014 (As Revised)
CURRENT LIABILITIES:		
Accounts Payable	\$ 1,498,211	\$ 1,935,280
Accounts Payable - Related Party	504,080	524,177
Accrued Expenses	103,023	100,729
Customer Advances for Construction	891,564	1,021,313
Sales Tax Payable	47,840	50,764
	3,044,718	3,632,263
NONCURRENT LIABILITIES:		
Customer Deposits	1,646,306	1,619,411
Net Pension Liability	2,349,591	2,283,906
Net Other Postemployment Benefits Obligation	30,100	66,153
	4,025,997	3,969,470
TOTAL LIABILITIES	7,070,715	7,601,733
DEFERRED INFLOWS OF RESOURCES:		
Contribution in Aid of Construction, Net	361,921	240,994
Rate Stabilization Reserve	4,711,606	4,098,355
	5,073,527	4,339,349
NET POSITION:		
Net Investment in Capital Assets	28,447,863	22,406,335
Net Position Restricted for Depreciation	7,389,478	12,651,262
Unrestricted Net Position	3,120,700	674,765
	38,958,041	35,732,362
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 51,102,283	\$ 47,673,444

See Accompanying Notes to Financial Statements

HINGHAM MUNICIPAL LIGHTING PLANT
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

OPERATING FUND

	2015	2014 (As Revised)
OPERATING REVENUES:		
Sales of Electricity	\$ 31,137,669	\$ 31,288,843
Other Operating Revenues	221,966	180,023
TOTAL OPERATING REVENUES	31,359,635	31,468,866
OPERATING EXPENSES:		
Operations and Maintenance	25,185,679	25,588,559
Depreciation and Amortization	2,504,554	2,461,445
TOTAL OPERATING EXPENSES	27,690,233	28,050,004
OPERATING INCOME	3,669,402	3,418,862
NONOPERATING REVENUES (EXPENSES):		
Investment Income	61,845	64,281
Interest Expense	(1,488)	(1,405)
TOTAL NONOPERATING REVENUES (EXPENSES)	60,357	62,876
Income Before Contributions and Transfers	3,729,759	3,481,738
NET POSITION - JANUARY 1	35,732,362	32,749,841
Transfers Out - Payments in Lieu of Taxes	(504,080)	(499,217)
NET POSITION - DECEMBER 31	\$ 38,958,041	\$ 35,732,362

See Accompanying Notes to Financial Statements

HINGHAM MUNICIPAL LIGHTING PLANT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

OPERATING FUND

	2015	2014 (As Revised)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 31,324,699	\$ 31,682,338
Cash Paid to Suppliers	(21,488,170)	(22,106,523)
Cash Paid to Employees	(2,850,178)	(2,701,262)
Cash Paid for Benefits	(965,854)	(734,215)
Payment in Lieu of Taxes	(504,080)	(499,217)
	5,516,417	5,641,121
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:		
Interest Expense	(1,488)	(1,405)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Net Investment Transactions in the Depreciation Fund	5,305,870	(2,472,000)
Additions to Plant Assets	(8,558,132)	(1,914,015)
Contribution in Aid of Construction	132,977	37,392
	(3,119,285)	(4,348,623)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Income	4,508	2,791
Net Transfers to Rate Stabilization Fund	(600,000)	(600,000)
Proceeds from Disposition of Investments	10,000	0
	(585,492)	(597,209)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,810,152	693,884
CASH AND CASH EQUIVALENTS - JANUARY 1	2,735,407	2,041,523
CASH AND CASH EQUIVALENTS - DECEMBER 31	\$ 4,545,559	\$ 2,735,407

See Accompanying Notes to Financial Statements

HINGHAM MUNICIPAL LIGHTING PLANT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

OPERATING FUND

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

	2015	2014 (As Revised)
Operating Income	\$ 3,669,402	\$ 3,418,862
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	2,516,604	2,461,445
Amortization of Contribution in Aid of Construction	(12,050)	0
Payment in Lieu of Taxes	(504,080)	(499,217)
Rate Stabilization Reserve	613,251	611,425
Changes in Assets and Liabilities:		
(Increase) Decrease in Assets:		
Accounts Receivable	158,255	(204,196)
Accounts Receivable, Related Party	19,454	(37,140)
Deferred Outflows of Resources Related to Pension	(65,872)	0
Other Receivables	(109,791)	227,455
Materials and Supplies	(107,755)	28,401
Prepaid Expenses	(141,862)	(692,903)
Purchased Power Working Capital	11,879	56,624
Increase (Decrease) in Liabilities:		
Accounts Payable	(437,069)	367,222
Accounts Payable - Related Party	(20,097)	43,869
Accrued Expenses	2,294	(339,179)
Sales Tax Payable	(2,924)	1,523
Customer Deposits	26,895	31,833
Customer Advances for Construction	(129,749)	195,520
Net Pension Liability	65,685	0
Net Other Postemployment Benefits Obligation	(36,053)	(30,423)
Net Cash Provided by Operating Activities	\$ 5,516,417	\$ 5,641,121

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

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

	2015	2014 (As Revised)
Operating Cash	\$ 2,645,566	\$ 856,331
Customer Deposits	1,646,306	1,625,389
Insurance Reserve Fund	253,687	253,687
	\$ 4,545,559	\$ 2,735,407

See Accompanying Notes to Financial Statements

HINGHAM MUNICIPAL LIGHTING PLANT
STATEMENTS OF NET POSITION
DECEMBER 31, 2015 AND 2014

OPEB TRUST FUND

ASSETS

	2015	2014
NONCURRENT ASSETS:		
Funds on Deposit with Town Treasurer		
Cash and Cash Equivalents	\$ 15,499	\$ 17,113
Investments	1,664,653	1,689,072
	\$ 1,680,152	\$ 1,706,185
NET POSITION		
NET POSITION - Restricted	\$ 1,595,910	\$ 1,662,975

HINGHAM MUNICIPAL LIGHTING PLANT
STATEMENTS OF CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

OPEB TRUST FUND

	2015	2014
Interest Earned on Invested Funds	\$ 41,032	\$ 43,210
Net Appreciation (Depreciation) in Fair Value of Investments	(59,335)	15,999
Management and Related Fees	(7,730)	(7,776)
CHANGE IN NET POSITION	(67,065)	8,223
NET POSITION - January 1	1,662,975	1,654,752
NET POSITION - December 31	\$ 1,595,910	\$ 1,662,975

See Accompanying Notes to Financial Statements

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Reporting Entity

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

Regulation and Basis of Accounting

The Lighting Plant's financial statements are reported using the flow of economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

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

Utility Plant

The statutory provision for depreciation of utility plant is computed on the straight-line method at three percent of cost of the Lighting Plant's assets in service at the beginning of the year, exclusive of land and land rights. Therefore, no depreciation is taken in the year of the Lighting Plant's additions. Massachusetts law stipulates that the Lighting Plant may change from the statutory depreciation rate only with the approval of the DPU up to five percent. The Lighting Plant used a rate of 5% percent for 2015 and 2014. The Lighting Plant charges maintenance and repairs to expense when incurred. Replacement 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.

Provision for Payment in Lieu of Taxes

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

Reclassification

Certain amounts in the 2014 financial statements have been reclassified to conform to the 2015 presentation with no effect on previously reported net income.

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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

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.

Contribution in Aid of Construction

Contributions in Aid of Construction represent non-refundable payments received from consumers and developers for extension of electric services for assets owned and maintained by Hingham Municipal Lighting Plant. These amounts are recorded as a deferred inflow of resources net of amortization.

Cash and Cash Equivalents

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

Materials and Supplies

Materials and supplies are valued using the average cost method.

Compensated Absences

In accordance with Plant policies, employees 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.

Accounts Receivable

The Lighting Plant carries its accounts receivable at cost. A receivable is considered past due if payments have not been received by the plant within 60 days. At that time, the Lighting Plant will send a delinquent notice specifying a termination date. The termination notice is sent out giving the customer at least seventy-two hours' notice before termination. On a periodic basis, the Lighting Plant does evaluate its accounts receivable to determine if any write-offs are necessary. Accounts receivable are stated net of an allowance for doubtful accounts of \$50,000 for both 2015 and 2014.

Operating Revenue

Operating revenue includes revenues and expenses related to the continuing operations of the Lighting Plant. Principal operating revenues are charges to customers for sales of electricity or services. Operating expenses are the costs of providing electricity and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Sales Tax

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

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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

Unbilled Revenue:

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Hingham Contributory Retirement System and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of net position will sometimes report a separate section for deferred outflows and deferred inflows of resources. These separate financial statement elements, deferred outflows and inflows of resources, represent a consumption of net position that applies to a future period and so will not be recognized as an outflow/inflow of resources (expense/expenditure) until then.

Financial Statement Revision

The Plant revised its beginning net position through the implementation of GASB Statements #68 and #71 related to accounting for pensions. The cumulative effect of this revision was to reduce total net position by \$1,769,427. Prior year was restated to reflect not only the net pension liability and deferred outflows in the amount of \$2,037,007 but also an increase in net income of \$267,580 due to a reduction in pension expenses.

NOTE 2 - FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS

GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, is required to be implemented for periods beginning after June 15, 2017. The Light Plant is currently evaluating the effect this pronouncement will have on the basic financial statements.

NOTE 3 - CONCENTRATION OF CREDIT RISK:

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

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

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

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 3 - CONCENTRATION OF CREDIT RISK (Continued):

Custodial Credit Risk - Deposits

In the event of bank failure, the Plant's deposits may not be returned. Hingham Municipal Lighting Plant's 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 Hingham Municipal Lighting Plant. Funds on deposit with financial institutions are subject to the insurance coverage limits imposed by the Federal Deposit Insurance Corporation (FDIC). The amount of insurance coverage for the Plant's deposits is not determinable because the limits of insurance are computed on a town-wide basis.

Custodial Credit Risk - Investments

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

Interest Rate Risk

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

NOTE 4 - INSURANCE RESERVE FUND:

The Lighting Plant has set up an insurance fund, which is to be used to reduce the future costs of insurance expense. The Lighting Plant keeps the amount separate in their records. The Insurance Reserve Fund balance at December 31, 2015 and 2014 was \$253,687.

NOTE 5 - DEPRECIATION FUND:

Pursuant to provisions of the Commonwealth's General Laws, the Lighting Plant is required to maintain a restricted cash fund to finance utility plant additions. Cash in an amount equivalent to the annual depreciation expense is transferred from unrestricted funds to the depreciation fund. Interest earned on the balance of the fund must also remain in the fund. The fund is managed by the Town Treasurer and may be used for the cost of plant, nuclear decommissioning costs, the costs of contractual commitments, and deferred costs related to such commitments which the Municipal Lighting Board determines are above market value.

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 5 - DEPRECIATION FUND (Continued):

	Ratings as of <u>Year End</u>	2015 Fair <u>Value</u>	2015 Under 1 <u>Year</u>	2014 Fair <u>Value</u>
<u>Term Securities</u>				
Certificate of Deposits	N/A	\$ 3,837,000	<u>\$ 3,837,000</u>	\$ 3,837,000
<u>Other Securities</u>				
Century Bank Savings Account		2,657,157		7,597,189
Massachusetts Municipal Depository Trust		854,653		1,200,019
Money Market Funds		<u>40,668</u>		<u>17,054</u>
Total Investments		<u>\$ 7,389,478</u>		<u>\$ 12,651,262</u>

There are no realized or unrealized gains or losses due to all of the funds either being a cash equivalent or certificate of deposits which are held to maturity and recognized at their cost basis. There are no investments over 5% of the portfolio's value.

NOTE 6 - RATE STABILIZATION FUND:

The rate stabilization fund was created as an aftermath of Massachusetts Electricity Restructuring Act of 1997. These funds are for unexpected escalation in costs, such as the decommissioning of nuclear power plants before the end of their operating license, unusual price spikes in fuel prices and transmission cost increases. The rate stabilization fund balance at December 31, 2015 and 2014 was \$4,711,606 and \$4,098,355, respectively. The balance in the fund is offset by a corresponding deferred inflow of resources for the accumulated provision for rate refund. These funds are commingled and deposited in investment pools. Accordingly it is not practical to disclose the credit risk of such funds.

NOTE 7 - OTHER RECEIVABLES:

Other receivables consist of the following:

	<u>2015</u>	<u>2014</u>
Merchandise and Jobbing	\$ 60,885	\$ 27,851
Spruce Mountain Wind REC's	219,977	143,377
Interest Receivable	<u>3,577</u>	<u>3,420</u>
Total Other Receivables	<u>\$ 284,439</u>	<u>\$ 174,648</u>

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 8 - PURCHASED POWER WORKING CAPITAL:

The purchased power working capital are amounts held by power supply agents. Agents are required to hold a set amount of capital from which it may pay our power obligations when due. They replenish the fund as needed from our monthly invoice payments. The income earned allocated to the Lighting Plant will be applied as a credit to monthly power billing. Balances as of December 31, 2015 and 2014 are as follows:

	2015	2014
Watson	\$ 167,579	\$ 179,458
MMWEC	1,553	1,505
ENE	858,778	858,826
Total	\$ 1,027,910	\$ 1,039,789

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 a 5% ownership interest in Energy New England, LLC. Energy New England, LLC, is a nonpublic energy and energy services cooperative formed to aggregate the resources and collective buying power of municipal electric systems. Products and services include power supply/power brokering, risk management, all requirements contracts, total system resource management, consolidated wholesale billing, report preparation and filing and energy market services. The investment is stated at cost.

Hingham Municipal Lighting Plant invested \$10,000 for a 50% ownership in South Shore Energy Cooperative, LLC a nonpublic municipal consulting services cooperative. At December 31, 2014 the investment was stated at cost. During November 2015, the South Shore Energy Cooperative, LLC was dissolved.

NOTE 10 - 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 \$1,479,817 in 2015 and \$1,422,102 in 2014. Included in the accompanying statements of net assets as of December 31, 2015 and 2014 is \$94,149 and \$113,603, respectively, of amounts due from the Town.

The Town provides to the Lighting Plant, police detail, various insurances and other expenses, which amounted to approximately \$1,235,998 in 2015 and \$1,249,312 in 2014. As of December 31, 2015 and 2014 amounts payable to the Town were \$504,080 and \$524,177, respectively.

In 2015 and 2014, the Lighting Plant made payments in lieu of property taxes to the Town in the amount of \$504,080 and \$499,217, respectively.

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 11 - UTILITY PLANT ASSETS:

	Balance January 1, 2015	Increases	Decreases	Balance December 31, 2015
Capital Assets Not Being Depreciated:				
Land	\$ 434,863	\$ 0	\$ 0	\$ 434,863
Construction in Progress	1,288,687	7,267,793	0	8,556,480
Total Capital Assets Not Being Depreciated	1,723,550	7,267,793	0	8,991,343
Capital Assets Being Depreciated:				
Transmission Plant	1,583,275	693	0	1,583,968
Distribution Plant	42,392,640	1,172,291	(473,001)	43,091,930
General Plant	6,356,303	117,355	0	6,473,658
Total Capital Assets Being Depreciated	50,332,218	1,290,339	(473,001)	51,149,556
Less Accumulated Depreciation For:				
Transmission Plant	(1,443,142)	(77,348)	0	(1,520,490)
Distribution Plant	(24,475,672)	(2,123,042)	473,001	(26,125,713)
General Plant	(3,730,619)	(316,214)	0	(4,046,833)
Total Accumulated Depreciation	(29,649,433)	(2,516,604)	473,001	(31,693,036)
Capital Assets Being Depreciated, Net	20,682,785	(1,226,265)	0	19,456,520
Utility Plant Assets, Net	\$ 22,406,335	\$ 6,041,528	\$ 0	\$ 28,447,863

NOTE 12 - NET INVESTMENT IN CAPITAL ASSETS:

	2015	2014
Cost of Capital Assets Acquired	\$ 60,140,899	\$ 52,055,768
Less: Accumulated Depreciation	31,693,036	29,649,433
Net Investment in Capital Assets	\$ 28,447,863	\$ 22,406,335

NOTE 13 - PENSION PLAN:

Plan Description-The Plant, through the Town of Hingham, is a member of the Hingham Contributory Retirement System which, in turn, is a member of the Massachusetts Contributory Retirement System which is governed by M.G.L. c.32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees. The plan is a cost-sharing multiple-employer contributory defined benefit plan for all town employees except those employees who are covered by teachers' retirement board. The Plan's separately issued financial statements can be obtained by contacting Hingham Retirement Board at 210 Central Street, Hingham, Massachusetts 02043.

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 13 - PENSION PLAN (Continued):

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

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

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

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

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

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

Contributions- Active members are required to contribute at rates from 5-9% of their gross regular compensation. The percentage rate is keyed to the date upon which an employee's membership commences. Members hired after 1978 contribute an additional 2% of annual pay above \$30,000. The Plant is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the member units based on the actuarial study. The actuarially determined Plant contribution is an amount, when combined with employee contributions, is expected to finance the cost of benefits earned by the employees during the year, with an additional amount to finance the unfunded liability. The Plant's required contribution to the System for the year ended December 31, 2015 was \$246,899, which was paid during calendar year 2014.

HINGHAM MUNICIPAL LIGHTING PLANT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2015 AND 2014

NOTE 13 - PENSION PLAN (Continued):

Pension Liabilities- At December 31, 2015, the Plant reported a liability of \$2,349,591 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the new pension liability was determined by an actuarial valuation as of January 1, 2014. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating member units. At December 31, 2015 the Town's proportion was 91.943%. The Plant's portion of the net pension liability was based on the percentage of the Plant's contributions to the total Town's contributions as of the measured date of December 31, 2014. At December 31, 2014, the Plant's portion was 5.9% of the Town's total contributions.

Pension Expense- For the year ended December 31, 2015 the Plant recognized a pension expense of \$267,393. For the year ended December 31, 2015, the Plant reported deferred outflows of resources related to pensions of \$312,771, consisting of the differences between projected and actual investment earnings which amounted to \$45,191 and the amount paid for contributions made subsequent to the measurement date which amounted to \$267,580. Additionally, the changes in proportion of differences between employer contributions and proportionate share of contributions are not presented in the initial year of reporting in accordance with GASB Statements #68 and #71.

The Plant's net deferred outflows of resources related to pensions will be recognized in pension expense as follows:

For the Years Ended December 31,	2016	\$	278,878
	2017		11,298
	2018		11,298
	2019		<u>11,297</u>
	Total	\$	<u>312,771</u>

*Actuarial Assumptions-*The total pension liability as of December 31, 2015 was determined by an actuarial valuation as of January 1, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	January 1, 2014
Actuarial Cost Method	Entry Age Normal
Amortization Method	<i>Unfunded Actuarial Accrued Liability (UAL):</i> Increasing dollar amount at 4% to reduce the Unfunded Actuarial Accrued Liability to zero on or before June 30, 2038.

HINGHAM MUNICIPAL LIGHTING PLANT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2015 AND 2014

NOTE 13 - PENSION PLAN (Continued):

Actuarial Assumptions (continued)

Asset Valuation Method	The Actuarial Value of Assets is the market value of assets as of the valuation date reduced by the sum of: <ul style="list-style-type: none"> a. 80% of gains and losses of the prior year, b. 60% of gains and losses of the second prior year, c. 40% of gains and losses of the third prior year and d. 20% of gains and losses of the fourth prior year
Inflation Rate	Not explicitly assumed
Projected Salary Increases	The assumed rates for salary increases including longevity is 4%.
Cost of Living Allowance	Cost-of Living Allowances (COLA) are assumed to be 3% of the pension amount, capped at \$360 per year. No change from previous valuation.
Rates of Retirement	Varies based upon age for general employees, police and fire employees.
Mortality Rates:	
Healthy Retirees	RP-2000 Mortality Table Projected to 2014 with Scale AA.
Disabled Retirees	RP-2000 Mortality Table set forward two years for disabled members.
Investment Rate of Return	7.75% per year, net of pension plan investment expense, including inflation.
Annuity Savings Fund Interest Rate	3.00% per year

Investment Policy- The Plan's asset allocation policies are established by PRIT. Plan assets are managed on a total return basis with a long-term objective of achieving a fully funded status for the benefits provided through the Plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major category asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pensions plan's target asset allocation as of December 31, 2014 are summarized in the table on the following page.

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 13 - PENSION PLAN (Continued):

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Domestic Equity	24%	5.11%
International Equity	12%	5.70%
Int'l Emerging Market Equity	12%	8.41%
Core Fixed Income	17%	0.01%
Value-Added Fixed Income	10%	3.73%
Real Estate	10%	6.92%
Hedge Funds	5%	3.79%
Private Equity	10%	2.90%
 Total	 100%	

Discount Rate-The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made in accordance with Sections 22D and 22F of Chapter 32 of the Massachusetts General Laws. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate- The following presents the net pension liability calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate 1-percentage point lower (6.75%) or 1-percentage point higher (8.75%) than the current rate:

	1% Decrease <u>(6.75%)</u>	Current Discount Rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
Proportionate share of the Net Pension Liability	\$ 3,202,339	\$ 2,349,591	\$ 1,618,770

Pension Plan Fiduciary Net Position- Detailed information about the pension plan's fiduciary net position is available in the separately issued Hingham Contributory Retirement System financial report.

NOTE 14 - LEASES:

During 2012, the Lighting Plant extended an operating lease agreement to lease antenna space. This lease expires in 2017 and has one sixty-month renewal option. Rent expense related to this lease was approximately \$16,699 and \$15,903 for the years ended December 31, 2015 and 2014, respectively.

During 2015, the Lighting Plant extended an operating lease agreement to lease office space. This lease expires in 2016. Rent expense related to this lease was approximately \$124,026 and \$122,335 for the years ended December 31, 2015 and 2014, respectively.

HINGHAM MUNICIPAL LIGHTING PLANT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2015 AND 2014

NOTE 14 - LEASES (Continued):

Future Minimum Lease Payments:

	<u>Annual Cost</u>
December 31, 2016	64,258
2017	18,410
Total	\$ 82,668

NOTE 15 - 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 the Lighting Plant's revenues. Under the PSAs, each Participant is unconditionally obligated to make all payments due to MMWEC, whether or not the Project(s) is completed or operating, and notwithstanding the suspension or interruption of the output of the Project(s).

NOTE 16 - OTHER POSTEMPLOYMENT BENEFIT TRUST FUND:

The Other Postemployment Benefit Liability Trust Fund was established by vote of the Board of Commissioners on January 10, 2009. The Board voted to accept the provisions of MGS Chapter 32B, Section 20 which establishes a separate Fund and a funding schedule for the Fund.

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 16 - OTHER POSTEMPLOYMENT BENEFIT TRUST FUND (Continued):

The schedule and any future updates shall be designed, consistent with standards issued by the Governmental Accounting Standards Board, to reduce the unfunded actuarial liability of health care and postemployment benefits to zero as of an actuarially acceptable period of years and to meet the normal costs of all future benefits for which the government unit is obligated. The Trust is under custodianship of the treasurer of the Town of Hingham. The balance in the Trust as of December 31, 2015 and 2014 was \$1,680,152 and \$1,706,185, respectively.

	Ratings as of <u>Year End</u>	2015 Fair <u>Value</u>	2015 Under 1 year	2015 1-5 years	2015 6-10 years	2014 Fair <u>Value</u>
<u>Term Securities:</u>						
U.S. Government						
Securities	Exempt	\$ 379,219	\$ 0	\$ 258,028	\$ 121,191	\$ 420,408
Corporate Bonds	AA+	30,368	0	30,368	0	30,728
Corporate Bonds	AA	31,616	0	31,616	0	31,380
Corporate Bonds	AA-	43,991	0	43,991	0	0
Corporate Bonds	A+	35,170	0	35,170	0	0
Corporate Bonds	A	62,214	0	62,214	0	72,909
Corporate Bonds	A-	90,235	40,039	50,196	0	116,386
Corporate Bonds	BBB+	<u>89,988</u>	<u>30,180</u>	<u>59,808</u>	<u>0</u>	<u>94,010</u>
Total Term Securities		762,801	<u>\$ 70,219</u>	<u>\$ 571,391</u>	<u>\$ 121,191</u>	765,821
<u>Other Securities</u>						
Equity Securities		225,396				231,592
Equity Mutual Funds		276,669				289,495
Fixed Income Mutual Funds		399,787				402,164
Money Market Mutual Funds		<u>15,499</u>				<u>17,113</u>
Total Investments		<u>\$ 1,680,152</u>				<u>\$ 1,706,185</u>

Gain (Loss) on Investments

	<u>2015</u>	<u>2014</u>
Realized Gain (Loss) on Investments	\$ 37,421	\$ 41,363
Unrealized Gain (Loss) on Investments	<u>(96,756)</u>	<u>(25,364)</u>
Gain (Loss) on Investments	<u>\$ (59,335)</u>	<u>\$ 15,999</u>

There were no investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represented 5% or more of total investments during 2015.

HINGHAM MUNICIPAL LIGHTING PLANT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2015 AND 2014

NOTE 17 - RISK MANAGEMENT:

Self-Insurance Trust

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

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

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

Generally accepted accounting principles requires that liabilities for self-insured claims be reported if it is probable that a loss has been incurred and the amount can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. At December 31, 2015 and 2014, the Lighting Plant considers its pro rata share of these losses to be immaterial to its financial statements.

NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS (OPEB):

Hingham Municipal Lighting Plant (HMLP) has implemented GASB Statement 45, *Accounting for Financial Reporting by Employers for Postemployment 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 June 30, 2014 HMLP's membership consisted of the following:

Current retirees, beneficiaries		15
Current active members		27
Total		42

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued):

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 \$279,411 and \$285,895 for the years ended 2015 and 2014, respectively. 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 \$3.73 monthly for a life insurance benefit, if elected.

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 years ending December 31, 2015 and 2014, the amount actually contributed to the plan, and changes in the Lighting Plant's net OPEB obligation based on an actuarial valuation as of June 30, 2014:

	2015	2014
Normal cost with interest	\$ 46,569	\$ 44,778
Amortization of unfunded actuarial accrued liability with interest	17,599	18,744
Annual required contribution	64,148	63,522
Contributions made	(100,221)	(93,945)
Increase (Decrease) in net OPEB Obligation	(36,053)	(30,423)
Net OPEB obligation - Beginning of year	66,153	96,576
Net OPEB obligation - End of year	\$ 30,100	\$ 66,153

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:

Year ended	Annual OPEB costs	Percentage of OPEB cost contributed	Net OPEB obligation
2013	\$ 58,753	142%	\$ 96,576
2014	\$ 63,522	148%	\$ 66,153
2015	\$ 64,148	156%	\$ 30,100

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.

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued):

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. The schedule of funding progress, presented as required supplemental information presents trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The funded status is as follows:

		2015
Actuarial accrued liability (AAL)	\$	2,048,846
Value of plan assets		(1,680,152)
Unfunded actuarial accrued liability	\$	368,694
Funded ratio (actuarial value of plan assets/AAL)		82.00%
Covered payroll (active plan members)	\$	2,850,178
UAAL as a percentage of covered payroll		12.94%

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 June 30, 2014, actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included an 7.75% investment rate of return and an annual healthcare cost trend rate of 7.0%, initially, reduced by decrements to an ultimate rate of 5% after 6 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 8.0% increases on a closed basis. The remaining amortization period at June 30, 2014 was twenty-three years.

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.

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 19 - COMMITMENTS AND CONTINGENCIES (Continued):

Power Purchase Commitments

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 some go through to the life of the unit.

Hingham Municipal Lighting Plant has entered into a contract with Braintree Electric Lighting Department as a 10% entitlement owner to the Watson Power Plant. This purchase power contract is effective from 2009 thru 2029. Watson Units 1 and 2 entitle us to 11.4 MWs. They are natural gas fired. The average 2015 energy price for Watson was \$0.03292/kWh. HMLP is a 2.3% entitlement owner to Potter 2 CC which is a life of unit contract. Potter 2 CC entitles HMLP to 2.1 MW. The average 2015 energy price for Potter was \$5.82/kWh. Potter's per kWh price was so high because it barely ran in 2015. Because the capacity charges for HMLP associated with Potter are the same regardless of how often a plant runs (or not), the average per kWh gets skewed if there are so few kWh hours to work into the formula. It can run on either oil or natural gas.

HMLP is a .5% entitlement owner in the Seabrook nuclear power plant and is entitled to almost 6MW. The average 2015 energy price for Seabrook was \$0.08388/kWh. This contract is a life of unit contract.

HMLP is a .1% entitlement owner in the Millstone nuclear power plant and is entitled to almost 1 ¼ MW. The average 2015 energy price for Millstone was \$0.0677/kWh. This contract is a life of unit contract.

HMLP is a 6% entitlement owner in the Miller Hydro plant for hydroelectric renewable energy and is entitled to almost 1 MW. The Lighting Plant entered into a six year contract with Miller Hydro expiring in 2016. The contracted parties are interested in extending the agreement and are working to come to terms. The average 2015 energy price for Miller Hydro was \$0.05242/kWh.

HMLP has entered into a fifteen year contract 2026 with Spruce Mountain Wind Farm for renewable wind energy. We have an ownership entitlement of 9% with a commitment to purchase almost 2 MW. The average 2015 energy price for Spruce Mountain Wind was \$0.04378/kWh.

HMLP has entered into a contract running until 2017 with Granby Landfill. We are entitled to .5MWH of renewable energy and have an ownership entitlement of about 17%. The average 2015 energy price for Granby Landfill is \$0.04663/kWh.

HMLP is an entitlement owner in the Stony Brook Intermediate (4%) and Peaking (5 1/3%) units. The Intermediate units can run on either gas or oil while the peaking unit runs on oil. Units 1A, B and C of the Intermediate entitle us to a total of 14MW. Units 2A and B of the Peaking units entitle us to a total of 9.2MW. The contracts are for the life of the units. The average 2015 energy price for the Intermediate units is \$0.20632.

HMLP is a 2% entitlement owner in the NYPA Hydro Base and Peaking plants for hydroelectric renewable energy. The contracts are life of unit contracts. The average 2015 energy price for the NYPA units is \$0.032/kWh.

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 19 - COMMITMENTS AND CONTINGENCIES (Continued):

Power Purchase Commitments (continued)

HMLP has contracts with NextEra and Shell Energy North America which allows them to buy energy when various price points come into play. In 2015, the per kWh for NextEra was \$0.06394 and for Shell was \$0.05797.

HMLP has the ability to purchase from ISO-New England's Energy Interchange. HMLP paid \$0.05014/kWh for energy through ISO-New England.

MMWEC Contingencies and Liabilities

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 NextEra Energy Resources 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 the 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 NextEra Energy Seabrook, LLC (NextEra Seabrook), the majority owner and an indirect subsidiary of NextEra Energy Resources LLC. The operating license for Seabrook Station extends to March 15, 2030. NextEra Seabrook has submitted an application to extend the Seabrook Station operating license for an additional 20 years.

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 opinion of MMWEC management, the outcome of such actions will not have a material adverse effect on the financial position of the company.

As of December 31, 2015, total capital expenditures amounted to \$1,626,959,000, of which \$64,081,000 represents the amount associated with the Lighting Plant's Project Capability. MMWEC's debt outstanding for the Projects from Power Supply Project Revenue Bonds totals \$112,510,000, of which \$4,373,000 is associated with the Lighting Plant's share of Project Capability.

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 19 - COMMITMENTS AND CONTINGENCIES (Continued):

MMWEC Contingencies and Liabilities (continued)

As of December 31, 2015, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$121,353,000, of which \$4,733,000 is anticipated to be billed to the 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 \$6,327,000 and \$6,361,000 for the years ended December 31, 2015 and 2014, respectively.

HMLP's annual energy costs related to its long-term power purchase commitments as of December 31, 2015 are approximately as follows:

	<u>MMWEC</u>	<u>ENE</u>	<u>Watson</u>	<u>Total</u>
Years Ending December 31, 2016	2,247,000	3,514,587	1,513,649	7,275,236
2017	2,033,000	2,980,005	1,512,950	6,525,955
2018	77,000	2,501,619	1,512,102	4,090,721
2019	376,000	2,345,429	1,510,819	4,232,248
2020	0	2,399,534	1,491,792	3,891,326
2021-2025	0	8,439,555	7,437,398	15,876,953
2026-2029	<u>0</u>	<u>1,025,523</u>	<u>4,097,743</u>	<u>5,123,266</u>
Total	<u>\$ 4,733,000</u>	<u>\$ 23,206,252</u>	<u>\$ 19,076,453</u>	<u>\$ 47,015,705</u>

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(\$000)

	PERCENTAGE SHARE	TOTAL PROJECT EXPENDITURES TO DATE	PARTICIPANT'S SHARE	DEBT ISSUED & OUTSTANDING 12/31/2015	PARTICIPANT'S SHARE	TOTAL DEBT SERVICE ON BONDS OUTSTANDING	PARTICIPANT'S SHARE
Stony Brook Peaking Project	5.3307	\$ 59,332	\$ 3,163	\$ -	\$ -	\$ -	\$ -
Stony Brook Intermediate Project	4.3870	174,118	7,639	-	-	-	-
Nuclear Mix No. 1-SBK	3.4281	11,150	382	-	-	-	-
Nuclear Mix No. 1-MLS	3.4281	123,182	4,223	-	-	-	-
Nuclear Project No. 3-MLS	1.4311	151,141	2,163	20,310	291	21,710	311
Nuclear Project No. 4-SBK	3.4180	348,576	11,914	20,950	716	22,257	761
Nuclear Project No. 5-SBK	1.6644	94,542	1,574	6,535	109	6,976	116
Wyman Project	-	8,805	-	-	-	-	-
Project No. 6-SBK	5.0331	656,113	33,023	64,715	3,257	70,410	3,545
TOTAL		<u>\$ 1,626,959</u>	<u>\$ 64,081</u>	<u>\$ 112,510</u>	<u>\$ 4,373</u>	<u>\$ 121,353</u>	<u>\$ 4,733</u>

	PERCENTAGE SHARE	OPERATION & MAINTENANCE 12/31/2014	PARTICIPANT'S SHARE	OPERATION & MAINTENANCE 12/31/2015	PARTICIPANT'S SHARE
Stony Brook Peaking Project	5.3307	\$ 4,648	\$ 248	\$ 3,730	\$ 199
Stony Brook Intermediate Project	4.3870	32,241	1,414	40,083	1,758
Nuclear Mix No. 1-SBK	3.4281	971	33	576	20
Nuclear Mix No. 1-MLS	3.4281	8,743	300	6,369	218
Nuclear Project No. 3-MLS	1.4311	26,549	380	27,329	391
Nuclear Project No. 4-SBK	3.4180	30,617	1,046	28,086	960
Nuclear Project No. 5-SBK	1.6644	8,122	135	7,530	125
Wyman Project	-	3,094	-	2,591	-
Project No. 6-SBK	5.0331	55,736	2,805	52,773	2,656
TOTAL		<u>\$ 170,721</u>	<u>\$ 6,361</u>	<u>\$ 169,067</u>	<u>\$ 6,327</u>

HINGHAM MUNICIPAL LIGHTING PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(\$000)

	PERCENTAGE SHARE	2016 ANNUAL COST	PARTICIPANT'S SHARE	2017 ANNUAL COST	PARTICIPANT'S SHARE	2018 ANNUAL COST	PARTICIPANT'S SHARE
Stony Brook Peaking Project	5.3307	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Stony Brook Intermediate Project	4.3870	-	-	-	-	-	-
Nuclear Mix No. 1-SBK	3.4281	-	-	-	-	-	-
Nuclear Mix No. 1-MLS	3.4281	-	-	-	-	-	-
Nuclear Project No. 3-MLS	1.4311	14,725	211	3,639	52	3,346	48
Nuclear Project No. 4-SBK	3.4180	13,455	460	8,802	301	-	-
Nuclear Project No. 5-SBK	1.6644	3,857	64	2,884	48	235	4
Wyman Project	-	-	-	-	-	-	-
Project No. 6-SBK	5.0331	30,034	1,512	32,417	1,632	503	25
TOTAL		<u>\$ 62,071</u>	<u>\$ 2,247</u>	<u>\$ 47,742</u>	<u>\$ 2,033</u>	<u>\$ 4,084</u>	<u>\$ 77</u>

	PERCENTAGE SHARE	2019 ANNUAL COST	PARTICIPANT'S SHARE
Stony Brook Peaking Project	5.3307	\$ -	\$ -
Stony Brook Intermediate Project	4.3870	-	-
Nuclear Mix No. 1-SBK	3.4281	-	-
Nuclear Mix No. 1-MLS	3.4281	-	-
Nuclear Project No. 3-MLS	1.4311	-	-
Nuclear Project No. 4-SBK	3.4180	-	-
Nuclear Project No. 5-SBK	1.6644	-	-
Wyman Project	-	-	-
Project No. 6-SBK	5.0331	7,456	376
TOTAL		<u>\$ 7,456</u>	<u>\$ 376</u>

HINGHAM MUNICIPAL LIGHTING PLANT
 REQUIRED SUPPLEMENTARY INFORMATION
 OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS

OPERATING FUND

Schedule of Funding Progress - Other Postemployment Benefits:

Actuarial Valuation Date	For the Year Ending	Actuarial Value of Assets	Actuarial Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Payroll
1/1/2010	12/31/2009	\$(1,470,420)	\$ 2,116,139	\$ 645,719	69.49%	\$ 2,271,331	28.43%
1/1/2010	12/31/2010	\$(1,474,784)	\$ 2,116,139	\$ 641,355	69.69%	\$ 2,389,952	26.84%
1/1/2010	12/31/2011	\$(1,458,883)	\$ 2,116,139	\$ 657,256	68.94%	\$ 2,389,952	27.50%
6/30/2012	12/31/2012	\$(1,556,673)	\$ 1,732,899	\$ 176,226	89.83%	\$ 2,023,648	8.71%
6/30/2012	12/31/2013	\$(1,654,752)	\$ 1,732,899	\$ 78,147	95.49%	\$ 2,561,240	3.05%
6/30/2014	12/31/2014	\$(1,706,185)	\$ 2,048,846	\$ 342,661	83.28%	\$ 2,701,262	12.69%
6/30/2014	12/31/2015	\$(1,680,152)	\$ 2,048,846	\$ 368,694	82.00%	\$ 2,850,178	12.94%

Schedule of Actuarial Methods and Assumptions

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.

Actuarial Methods

Valuation Date	6/30/2014
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Assumed to increase annually by 4.0%
Remaining Amortization Period	23 years

Actuarial Assumptions

Discount Rate:	7.75% full pre-funding
Health Care Cost Trend Rate	Initially 7%, reduced by decrements of .5% per year; ultimate rate of 5%

See Independent Auditors' Report

HINGHAM MUNICIPAL LIGHTING PLANT
REQUIRED SUPPLEMENTARY INFORMATION
NET PENSION LIABILITY

OPERATING FUND

Schedule of the Plant's Proportionate Share of the Net Pension Liability

Plant's Proportion of the Net Pension Liability	5.9032%
Plant's Proportionate Share of the Net Pension Liability	\$ 2,349,591
Plant Total Employee Payroll	\$ 2,850,178
Net Pension Liability as a Percentage of Total Employee Payroll	82.44%
Plant's Proportionate Share of the Plan's Fiduciary Net Position as a Percentage of the Plant's Total Pension Liability	70.93%

Note: This schedule is intended to present information for 10 years. Until a 10 year trend is compiled, information is presented for those years for which information is available.

HINGHAM MUNICIPAL LIGHTING PLANT
REQUIRED SUPPLEMENTARY INFORMATION
NET PENSION LIABILITY

OPERATING FUND

Schedule of Contributions

Actuarially Determined Contribution	\$ 246,899
Contributions in Relation to the Actuarially Determined Contribution	<u>246,899</u>
Contribution deficiency (excess)	<u>\$ -</u>
Total Employee Payroll	\$ 2,850,178
Contribution as a Percentage of Total Employee Payroll	8.66%

Note: This schedule is intended to present information for 10 years. Until a 10 year trend is compiled, information is presented for those years for which information is available.

HINGHAM MUNICIPAL LIGHTING PLANT
 SCHEDULES OF SALES OF ELECTRICITY
 FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

OPERATING FUND

	2015	2014 (As Revised)
SALES OF ELECTRICITY:		
Residential	\$ 14,537,382	\$ 14,247,548
Commercial and Industrial	15,044,024	15,544,982
Municipal	1,479,817	1,422,102
Security Lighting	76,446	74,211
 TOTAL SALES OF ELECTRICITY	 \$ 31,137,669	 \$ 31,288,843

See Independent Auditors' Report

HINGHAM MUNICIPAL LIGHTING PLANT
SCHEDULES OF OPERATIONS AND MAINTENANCE EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

OPERATING FUND

	2015	2014 (As Revised)
POWER PRODUCTION EXPENSES:		
Purchased Power	\$ 20,014,846	\$ 20,922,031
Other Purchased Power	589,482	629,908
Total Power Production Expenses	20,604,328	21,551,939
DISTRIBUTION EXPENSES:		
Miscellaneous Distribution Expenses	729,830	693,784
MAINTENANCE EXPENSES:		
Maintenance of Lines	917,903	687,921
Maintenance - Other	44,663	20,830
Total Maintenance Expenses	962,566	708,751
CUSTOMER ACCOUNTS:		
Customer Accounting and Collection Expense	812,715	758,588
Uncollectible Accounts	1,223	7,312
Meter Reading Expense	191,059	194,389
Total Customer Accounts	1,004,997	960,289
GENERAL AND ADMINISTRATIVE EXPENSES:		
Administrative and General Salaries	162,656	170,501
Office Supplies and Expenses	20,506	22,606
Outside Services Employed	182,201	160,935
Property Insurance	166,319	170,614
Employees' Pension and Benefits	965,854	734,215
Dues, Meetings and Other General Expenses	113,196	96,511
Transportation	70,866	106,279
Rent	124,026	122,335
Maintenance of General Plant	78,334	89,800
Total General and Administrative Expenses	1,883,958	1,673,796
TOTAL OPERATIONS AND MAINTENANCE EXPENSES	\$ 25,185,679	\$ 25,588,559

See Independent Auditors' Report