

B37578

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2009

CRAWFORDSVILLE ELECTRIC LIGHT AND POWER

CITY OF CRAWFORDSVILLE

MONTGOMERY COUNTY, INDIANA



FILED
09/28/2010

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CRAWFORDSVILLE ELECTRIC LIGHT & POWER

January 1, 2009 to December 31, 2009
Herewith is the Annual Report for the Year 2009 Covering the
Operations of Crawfordsville Electric Light & Power

Thomas J. Sheets	President of Utility Board	811 West Main Street Crawfordsville, Indiana
Roger Tarter	Vice-President of Utility Board	1185 W Country Club Rd Crawfordsville, Indiana
Samuel H. Hildebrand	Secretary of Utility Board	412 West Main Street Crawfordsville, Indiana
Jerome Knecht	Board Member	206 North Grace Ave Crawfordsville, Indiana
Temporarily Vacant	Board Member	
Phillip R. Goode	Manager	301 East 800 North Crawfordsville, Indiana
Terry E. Harris	Utility Attorney	1415 Durham Drive Crawfordsville, Indiana
Patrick Taylor	Council Liaison to Utility Board	216 West Pike Street Crawfordsville, Indiana
Charlie Coons	Mayor	1514 South Elm Street Crawfordsville, Indiana
Terri Gadd	City Clerk Treasurer	506 South Washington Crawfordsville, Indiana
Ronald Gable	Controller	365 West 580 North Crawfordsville, Indiana

Phillip R. Goode, Manager

Ronald Gable, Controller



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF CRAWFORDSVILLE ELECTRIC LIGHT AND POWER,
CITY OF CRAWFORDSVILLE, MONTGOMERY COUNTY, INDIANA

We have audited the accompanying financial statements of the business-type activities of Crawfordsville Electric Light and Power, a department of the City of Crawfordsville, as of and for the year ended December 31, 2009, which collectively comprise the Utility's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Utility's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Utility's internal control over reporting. 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 audit provides a reasonable basis for our opinion.

An adverse opinion was issued on the prior period financial statements. The Utility made numerous correcting entries to the ledger to obtain January 1, 2009 financial statement balances. The correcting entries and resulting beginning balances have not been audited.

As discussed in Note I, the financial statements of Crawfordsville Electric Light and Power, City of Crawfordsville, are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business-type activities of the City that is attributable to the transactions of the Utility. They do not purport to, and do not, present fairly the financial position of the City of Crawfordsville as of December 31, 2009, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects of such adjustments, if any, that might have been necessary if we were able to examine the beginning balances, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities for Crawfordsville Electric Light and Power, as of December 31, 2009, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT
(Continued)

The Management's Discussion and Analysis as listed in the Table of Contents is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

STATE BOARD OF ACCOUNTS

August 5, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS

This discussion and analysis of Crawfordsville Electric Light and Power's ("CEL&P") consolidated financial performance provides an overview of the CEL&P's activities for the fiscal year ended December 31, 2009. This discussion only includes the activity of the two divisions of CEL&P and does not present information relative to the activities and financial performance of the City of Crawfordsville. This analysis should only be read in conjunction with the accompanying financial statements and the accompanying notes to the financial statements.

CEL&P includes two separate operating divisions governed by the Utility Service Board. The Electric division provides electric utility service in the City of Crawfordsville and its assigned service territory outside of the City's limits. Accelplus provides internet and cable television service in the same general service territory as Electric. All intra-divisional accounts are eliminated in the consolidated financial statements.

FINANCIAL STATEMENTS PRESENTED

CEL&P presents accrual statements of net assets, statements of revenues, expenses and other changes in fund balances and statements of cash flow on a consolidated basis and individually for Electric and Accelplus. The primary revenue source is from the sale of electricity to utility customers, which represented 94% of 2009 revenues.

CONDENSED COMPARITIVE FINANCIAL DATA

Net Assets	<u>2009</u>	<u>2008</u>
Current and other assets	\$6,932,104	\$8,654,630
Capital Assets	<u>34,182,666</u>	<u>34,817,119</u>
Total Assets	\$40,939,770	\$43,471,749
Capital Lease Obligations, net	\$15,185,000	\$15,185,000
Other Liabilities	<u>4,264,733</u>	<u>4,231,693</u>
Total Liabilities	\$19,449,733	\$19,416,693
Net Assets:	<u>\$21,665,037</u>	<u>\$24,055,056</u>

INCOME

Operating Revenues	\$33,117,772	\$32,830,854
Operating Expense	<u>34,198,527</u>	<u>33,267,696</u>
Operating Income (loss)	\$(1,080,755)	(\$436,842)
Non-operating expenses	<u>(1,309,264)</u>	<u>(1,014,773)</u>
Change in net assets	<u>(\$2,390,019)</u>	<u>(\$1,451,615)</u>

FINANCIAL HIGHLIGHTS

The consolidated change in net assets was a decrease of \$2.3 million from the previous year because of losses by both divisions. The national recession and the global economy played a major role in the 2009 financial results. Unemployment exceeded 10% in Montgomery County in 2009, and the weak employment had a negative impact on electric consumption and the addition of new customers for Accelplus.

The small growth in total revenues is the result of growth in Accelplus sales which increased by 61% over the prior year while Electric lost a significant portion of its electric load when a long-term industrial customer moved its production facilities out of the country. In addition, Electric saw a reduction in kWh sales to residential customers primarily due to the economy. Unit sales decreased by 6.9%, while electric revenues decreased 1.6%. The loss of Electric revenues was mitigated by a higher Energy Cost Adjustment factor that allows Electric to pass higher cost of power and energy onto customers. However, increasing costs for distribution and administration coupled with a reduction in kWh sales combined to result in a loss of \$1.2 million for the year for Electric, compared to a \$.4 million loss in 2008.

While revenues for Accelplus grew by 61%, the growth in Accelplus customers fell well short of target for 2009. New competition from national internet and cable providers and the weak economy both hindered the growth of Accelplus. The division continues to be a drain on CEL&P's financial position with a loss of \$1 million in 2009. During 2009, Electric loaned or advanced an additional \$1.4 million to Accelplus. Because of 2009 operating results, the high cost of adding additional customers and the need for additional capital to grow the division, the Utility Service Board has begun investigating the sale or outsourcing of Accelplus operations. In addition, the Board passed a resolution to discontinue of any further advances to Accelplus from Electric.

SIGNIFICANT CAPITAL ASSET ADDITIONS

During 2009, the additional capital was invested in Accelplus to extend the system. There were no significant capital additions.

COMPANY DEBT

Neither Electric nor Accelplus issued any new debt in 2009. However, Electric did loan and advance to Accelplus \$1.4 million to assist with new installations and to cover operating costs. These intra-divisional amounts are eliminated in the consolidated financial statements.

SUBSEQUENT EVENTS

After 18 years without an adjustment to the base electric rates and charges to customers, in September of 2009, Electric filed for an increase in base utility rates of 10% with the Indiana Utility Regulatory Commission. On May 10, 2010, CEL&P and the Indiana Utility Consumer's Counselor reached a tentative settlement granting a 5.9% rate increase with an agreement to reset CEL&P's Energy Cost Recovery Factor. This settlement will provide Electric with sufficient revenues to both safely and effectively operate the Electric Division.

Roy Kaser, General Manager of the Utility, for the past 32 years retired January 14, 2010. His replacement is Phillip R. Goode a veteran of 32 years with the CEL&P. Goode began his career with CEL&P as a Tree Trimmer worked his way up Line Superintendent before his appointment to serve as General Manager. During his career, Goode earned a B.S. degree in business and graduated from the Montgomery County Leadership Academy.

Ron Gable was appointed Controller on March 1, 2010.

CRAWFORDSVILLE ELECTRIC LIGHT & POWER
STATEMENT OF NET ASSETS

ELECTRIC AND TELECOM DIVISIONS

	As of December 31,	
	2009	2008
ASSETS		
Current Assets		
Unrestricted cash and cash equivalents	\$1,760,757	\$1,240,937
Investments	-	1,693,500
Customer receivables, (net)	1,016,445	1,111,461
Miscellaneous accounts receivable	52,407	32,722
Fuel stock	271,071	300,166
Plant materials and operating supplies	716,953	672,988
Prepaid maintenance charges	131,058	85,058
Prepaid insurance	99,821	97,088
Other prepayments	95,320	94,469
Other	53,241	118,267
Total Current Assets	4,197,073	5,446,656
Noncurrent Assets		
Restricted Assets		
Cash and cash equivalents	995,407	243,582
Investments	1,653,593	2,821,976
Interest receivable	18,584	41,246
Total Restricted Assets	2,667,584	3,106,804
Other Deferred Debits	67,447	101,170
Capital Assets		
Electric plant, net	18,567,977	18,952,987
Telecom plant, net	15,614,689	15,864,132
Total Capital Assets	34,182,666	34,817,119
Total Noncurrent Assets	36,917,697	38,025,093
TOTAL ASSETS	\$41,114,770	\$43,471,749

The accompanying notes are an integral part of the above statements.

CRAWFORDSVILLE ELECTRIC LIGHT & POWER
STATEMENT OF NET ASSETS

ELECTRIC AND TELECOM DIVISIONS

	As of December 31,	
	2009	2008
LIABILITIES		
Current Liabilities		
Account payable	\$3,687,010	\$3,695,086
Accrued payroll	153,719	119,630
State sales tax payable	110,041	135,089
Accrued pension	68,367	66,850
Customer deposits	148,187	132,872
Project Safe vouchers received (not applied)	69,688	62,708
Other accrued liabilities	27,721	19,458
Total Current Liabilities	4,264,733	4,231,693
Long-term Capital Lease Obligation, net	15,185,000	15,185,000
TOTAL LIABILITIES	\$19,449,733	\$19,416,693
 NET ASSETS		
Invested in Capital Assets, net of associated lease obligation	\$18,997,666	\$19,632,119
Restricted Funds	2,519,397	2,973,932
Unrestricted	147,974	1,449,005
TOTAL NET ASSETS	\$21,665,037	\$24,055,056

The accompanying notes are an integral part of the above statements.

CRAWFORDSVILLE ELECTRIC LIGHT & POWER
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN NET ASSETS

ELECTRIC AND TELECOM DIVISIONS

	Calendar Year Ended	
	12/31/09	12/31/08
OPERATING REVENUES		
Electric operating revenues	\$30,975,098	\$31,499,745
Telecom revenues	2,142,674	1,331,109
Total Operating Revenues	33,117,772	32,830,854
OPERATING EXPENSES		
Purchased power	24,012,817	21,912,311
Steam power generation	1,090,907	3,046,512
Transmission and distribution	1,624,948	1,816,484
Telecom operating and marketing expense	1,291,155	694,308
Customer accounts expense	584,813	564,498
Administrative and general	2,693,300	2,438,412
Depreciation and amortization	2,126,960	2,096,364
Taxes	773,627	698,807
Total Operating Expenses	34,198,527	33,267,696
Operating Income (Loss)	(1,080,755)	(436,842)
NONOPERATING REVENUES (EXPENSES)		
Interest income	82,654	154,602
Miscellaneous income	20,568	154,306
Revenue from contract work	113,599	104,598
Cost of contract work	(111,609)	(94,664)
Gain/Loss on disposal assets	(12,996)	20,196
Miscellaneous income deductions	(633)	(37,474)
Interest on long-term capital lease	(975,846)	(891,338)
Total Nonoperating Revenue (Expenses)	(884,263)	(589,774)
Net Income before Capital Contributions and Transfers	(1,965,018)	(1,026,616)
TRANSFERS OUT -		
Payments in Lieu of Taxes	(425,001)	(424,999)
Change in Net Assets	(2,390,019)	(1,451,615)
Total Net Assets - Beginning	24,055,056	25,506,671
Total Net Assets - Ending	\$21,665,037	\$24,055,056

The accompanying notes are an integral part of the above statements.

**CRAWFORDSVILLE ELECTRIC LIGHT & POWER
STATEMENT OF CASH FLOWS**

ELECTRIC AND TELECOM DIVISIONS

	Calendar Year Ended	
	12/31/09	12/31/08
CASH FLOWS FROM OPERATION ACTIVITIES		
Receipts from customers	\$33,215,765	\$33,233,537
Payments to suppliers and employees	(32,037,955)	(31,121,065)
Net Cash Provided by Operation Activities	1,177,810	2,112,472
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers out	(425,001)	(424,999)
Reimbursements from related party (Building Corporation)	-	411,358
Net Cash (Used) by Noncapital Financing Activities	(425,001)	(13,641)
CASH FLOWS FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES		
Purchases and construction of capital assets	(1,458,784)	(1,029,915)
Miscellaneous income	8,929	146,962
Interest paid on capital lease	(975,846)	(891,338)
Net Cash (Used) by Capital and Related Financing Activities	(2,425,701)	(1,774,291)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest	82,654	154,602
Net Cash Provided by Investing Activities	82,654	154,602
Net increase (decrease) in cash and cash equivalents	(1,590,238)	479,142
Balances - Beginning of the Year	5,999,995	5,520,853
Balances - End of the Year	\$4,409,757	\$5,999,995
Displayed As:		
Unrestricted cash and cash equivalents	\$1,760,757	\$1,240,937
Investments	-	1,693,500
Restricted cash and investments	2,649,000	3,065,558
Total Cash and Investments	\$4,409,757	\$5,999,995
Reconciliation of Operating Income (Loss) to Net Cash		
Provided (Used) by Operating Activities:		
Operating Income (Loss)	(\$1,080,755)	(\$436,842)
Adjustments to Reconcile Operating Income to Net Cash		
Provided (Used) By Operating Activities:		
Depreciation and amortization expense	2,126,960	2,096,364
Changes In Assets and Liabilities		
Receivables, net	84,167	363,471
Miscellaneous receivables, net	13,826	39,212
Prepaid and other assets	15,442	(63,180)
Fuel and materials and supplies	(14,870)	(35,110)
Accounts and other payables	33,040	148,557
Net Cash Provided (Used) by Operating Activities	\$1,177,810	\$2,112,472

The accompanying notes are an integral part of the above statements.

CRAWFORDSVILLE ELECTRIC LIGHT & POWER
STATEMENT OF NET ASSETS

ELECTRIC DIVISION

	As of December 31,	
	2009	2008
ASSETS		
Current Assets		
Unrestricted cash and cash equivalents	\$1,660,707	\$1,214,732
Investments	-	1,693,500
Customer receivables, (net)	864,915	1,014,851
Accounts receivable project safe	39,822	28,973
Fuel stock	271,071	300,166
Plant materials and operating supplies	564,799	672,988
Prepaid maintenance charges	67,446	64,042
Prepaid insurance	99,821	97,088
Other prepayments	93,983	93,029
Other	43,165	87,842
	3,705,729	5,267,211
Noncurrent Assets		
Restricted Assets		
Cash and cash equivalents	983,332	237,832
Investments	1,653,593	2,821,976
Interest receivable	18,584	41,246
	2,655,509	3,101,054
Other noncurrent assets		
Advance of operating expenses to Telecom	1,218,388	543,210
Telecom division loan receivable	1,814,314	1,214,314
Other deferred debits	67,447	101,170
	3,100,149	1,858,694
Capital Assets		
Utility plant in service	51,832,987	50,946,786
Less accumulated depreciation	(33,379,897)	(32,085,205)
	18,453,090	18,861,581
Construction work in progress	114,887	91,406
	18,567,977	18,952,987
Total Capital Assets	18,567,977	18,952,987
Total Noncurrent Assets	24,323,635	23,912,735
TOTAL ASSETS	\$28,029,364	\$29,179,946

The accompanying notes are an integral part of the above statements.

CRAWFORDSVILLE ELECTRIC LIGHT & POWER
STATEMENT OF NET ASSETS

ELECTRIC DIVISION

	As of December 31,	
	2009	2008
LIABILITIES		
Current Liabilities		
Account payable	\$3,610,173	\$3,577,489
Accrued payroll	153,719	119,630
State sales tax payable	80,817	76,064
Accrued pension	68,367	66,850
Customers meter deposits payable	136,112	127,122
Project Safe vouchers received (not applied)	69,688	62,708
Other accrued liabilities	27,721	19,458
TOTAL LIABILITIES	\$4,146,597	\$4,049,321
 NET ASSETS		
Invested in capital assets	\$18,567,977	\$18,952,987
Restricted funds	2,519,397	2,973,932
Unrestricted	2,795,393	3,203,706
TOTAL NET ASSETS	\$23,882,767	\$25,130,625

The accompanying notes are an integral part of the above statements.

CRAWFORDSVILLE ELECTRIC LIGHT & POWER
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN NET ASSETS

ELECTRIC DIVISION

	Calendar Year Ended	
	12/31/09	12/31/08
OPERATING REVENUES		
Residential sales	\$7,417,419	\$7,065,726
Commercial and industrial sales	22,613,518	21,524,210
Outdoor and street lighting sales	173,012	162,036
Sales to other authorities	114,185	112,670
Sales for resale	329,618	2,147,934
Other operating revenue	327,346	487,169
Total Operating Revenues	30,975,098	31,499,745
OPERATING EXPENSES		
Purchased power	24,012,817	21,912,311
Steam power generation	1,090,907	3,046,512
Transmission and distribution	1,624,948	1,816,484
Administrative and general	2,498,227	2,360,838
Depreciation	1,385,389	1,364,724
Customer accounts expense	568,908	548,494
Utility receipts tax	468,441	410,614
F.I.C.A. tax	231,717	278,916
Unemployment tax	8,004	3,943
Other taxes	180	180
Total Operating Expenses	31,889,538	31,743,016
Operating Income (Loss)	(914,440)	(243,271)
NONOPERATING REVENUES (EXPENSES)		
Interest income	82,654	154,168
Miscellaneous income	20,568	154,306
Revenue from contract work	113,599	104,598
Cost of contract work	(111,609)	(94,664)
Gain/Loss on disposal assets	(12,996)	20,196
Miscellaneous income deductions	(633)	(37,474)
Total Nonoperating Revenue (Expenses)	91,583	301,130
Net Income (loss) before Capital Contributions and Transfers	(822,857)	57,859
TRANSFERS OUT -		
Payments in Lieu of Taxes	(425,001)	(424,999)
Change in Net Assets	(1,247,858)	(367,140)
Total Net Assets - Beginning	25,130,625	25,497,765
Total Net Assets - Ending	\$23,882,767	\$25,130,625

The accompanying notes are an integral part of the above statements.

**CRAWFORDSVILLE ELECTRIC LIGHT & POWER
STATEMENT OF CASH FLOWS**

ELECTRIC DIVISION

	Calendar Year Ended	
	12/31/09	12/31/08
CASH FLOWS FROM OPERATION ACTIVITIES		
Receipts from customers	\$31,136,847	\$31,966,744
Payments to suppliers and employees	(30,232,003)	(30,206,985)
Net Cash Provided by Operation Activities	904,844	1,759,759
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers out	(425,001)	(424,999)
Reimbursements from related party (Building Corporation)	-	411,358
Interfund loans - proceeds and collections	(1,275,178)	(543,210)
Net Cash (Used) by Noncapital Financing Activities	(1,700,179)	(556,851)
CASH FLOWS FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES		
Purchases and construction of capital assets	(966,656)	(912,989)
Miscellaneous income	8,929	146,962
Net Cash (Used) by Capital and Related Financing Activities	(957,727)	(766,027)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest	82,654	154,168
Net Cash Provided by Investing Activities	82,654	154,168
Net Increase in Cash and Cash Equivalents	(1,670,408)	591,049
Balances - Beginning of the Year	5,968,040	5,376,991
Balances - End of the Year	\$4,297,632	\$5,968,040
Displayed As:		
Unrestricted cash and cash equivalents	\$1,660,707	\$1,214,732
Investments	-	1,693,500
Restricted cash and cash equivalents	983,332	237,832
Restricted Investments	1,653,593	2,821,976
Total Cash and Investments	\$4,297,632	\$5,968,040
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	(\$914,440)	(\$243,271)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation expense	1,385,389	1,364,724
Changes In Assets and Liabilities		
Customer receivables, net	139,087	424,038
Miscellaneous receivables, net	22,662	42,961
Prepaid and other assets	37,586	(64,488)
Fuel and materials inventory	137,284	(35,110)
Accounts and other payables	32,684	272,708
Accrued payroll and pensions	35,606	38,550
Taxes payable	4,753	19,299
Meter deposits payable	8,990	(21,750)
Project Safe vouchers payable	6,980	35,589
Other payables	8,263	(73,491)
Net Cash Provided (Used) by Operating Activities	\$904,844	\$1,759,759

The accompanying notes are an integral part of the above statements.

CRAWFORDSVILLE ELECTRIC LIGHT & POWER
STATEMENT OF NET ASSETS

TELECOM DIVISION

	As of December 31,	
	2009	2008
ASSETS		
Current Assets		
Cash and cash equivalents	\$100,050	\$26,205
Customer receivables, (net)	151,530	96,610
Miscellaneous accounts receivable	12,585	3,749
Prepaid maintenance charges	63,612	21,016
Prepaid other	1,337	1,440
Materials and supplies	152,154	-
Other assets	10,076	30,425
	491,344	179,445
Restricted Assets - Customer Deposits Cash	12,075	5,750
Capital Assets		
Leased Telecom facilities	15,185,000	16,097,536
Accumulated amortization on leased facilities	(1,898,280)	(1,264,188)
	13,286,720	14,833,348
Telecom plant owned, net of accumulated depreciation	2,106,078	1,028,467
Telecom plant under construction	221,891	2,317
	15,614,689	15,864,132
TOTAL ASSETS	\$16,118,108	\$16,049,327
LIABILITIES		
Current Liabilities		
Account payable	\$76,837	\$117,597
Customer deposits	12,075	5,750
Accrued taxes payable	29,224	59,025
	118,136	182,372
Noncurrent Liabilities		
Long-term capital lease obligation	16,660,000	16,660,000
Less amount held in debt service reserve	(1,475,000)	(1,475,000)
Due to Electric for operating expenses	1,218,388	543,210
Notes payable to Electric	1,814,314	1,214,314
	18,217,702	16,942,524
TOTAL LIABILITIES	\$18,335,838	\$17,124,896
NET ASSETS		
Invested in Capital Assets Net of Capital Lease	(\$2,603,013)	(\$1,078,392)
Restricted Funds	-	-
Unrestricted	385,283	2,823
	(\$2,217,730)	(\$1,075,569)

The accompanying notes are an integral part of the above statements.

CRAWFORDSVILLE ELECTRIC LIGHT & POWER
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN NET ASSETS

TELECOM DIVISION

	Calendar Year Ended	
	2009	2008
OPERATING REVENUES		
Internet / video revenue	\$2,044,503	\$1,285,529
Other revenue	98,171	45,580
Total Operating Revenues	2,142,674	1,331,109
OPERATING EXPENSES		
Content fees	761,597	424,268
Operating expense	471,273	244,657
Customer accounts expense	15,905	16,004
Marketing and advertising	58,285	25,383
Amortization	634,092	634,092
Depreciation	107,479	97,548
Administrative and general expense	195,073	77,574
F.I.C.A. tax	32,258	5,154
Other taxes	33,027	-
Total Operating Expenses	2,308,989	1,524,680
Operating Income (Loss)	(166,315)	(193,571)
NONOPERATING REVENUES (EXPENSES)		
Interest income	-	434
Interest on long-term capital lease	(975,846)	(891,338)
Total Nonoperating Revenue (Expenses)	(975,846)	(890,904)
Net Income before Capital Contributions and Transfers	(1,142,161)	(1,084,475)
Change in Net Assets	(1,142,161)	(1,084,475)
Total Net Assets - Beginning	(1,075,569)	8,906
Total Net Assets - Ending	(\$2,217,730)	(\$1,075,569)

The accompanying notes are an integral part of the above statements.

**CRAWFORDSVILLE ELECTRIC LIGHT & POWER
STATEMENT OF CASH FLOWS**

TELECOM DIVISION

	Calendar Year Ended	
	12/31/09	12/31/08
CASH FLOWS FROM OPERATION ACTIVITIES		
Receipts from customers	\$2,078,918	\$1,266,793
Payments to suppliers	(1,805,952)	(914,080)
	272,966	352,713
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Interfund loans - proceeds and collections	1,275,178	543,210
	1,275,178	543,210
CASH FLOWS FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES		
Purchases and construction of capital assets	(492,128)	(116,926)
Interest paid on capital lease	(975,846)	(891,338)
	(1,467,974)	(1,008,264)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest	-	434
	-	434
Net Cash Provided by Investing Activities	-	434
Net increase in cash and cash equivalents	80,170	(111,907)
Balances - Beginning of the Year	31,955	143,862
	\$112,125	\$31,955
Balances - End of the Year	\$112,125	\$31,955
Displayed As:		
Cash and cash equivalents	\$100,050	\$26,205
Restricted cash and investments	12,075	5,750
	\$112,125	\$31,955
Total Cash and Investments	\$112,125	\$31,955
Reconciliation of Operating Income (Loss) to Net Cash		
Provided (Used) by Operating Activities:		
Operating Income (Loss)	(\$166,315)	(\$193,571)
Adjustments to Reconcile Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation expense	107,479	97,548
Amortization expense	634,092	634,092
Changes In assets and liabilities		
Customer receivables, net	(54,920)	(60,567)
Miscellaneous receivables, net	(8,836)	(3,749)
Prepaid and other assets	(42,493)	(22,456)
Materials and supplies inventory	(152,154)	-
Other assets	20,349	23,764
Accounts and other payables	(64,236)	(122,348)
	\$272,966	\$352,713
Net Cash Provided (Used) by Operating Activities	\$272,966	\$352,713

The accompanying notes are an integral part of the above statements.

CRAWFORDSVILLE ELECTRIC LIGHT AND POWER
NOTES TO FINANCIAL STATEMENTS

December 31, 2009

1. Organization and Significant Accounting Policies

Reporting Entity

Crawfordsville Electric Light and Power (the "Utility") was established by the City of Crawfordsville under the laws of the State of Indiana. The Utility operates two divisions, and both divisions are accounted for as proprietary funds. The Electric Division ("Electric") provides all power and energy requirements to approximately 10,000 customers in and around the City of Crawfordsville. Electric provides power from a long-term purchase power agreement with Indiana Municipal Power Agency and Electric's 24 megawatts of owned capacity. The Utility also operates a Telecom Division doing business as Accelplus. Internet and cable television services are provided to approximately 2,000 customers in and around the City of Crawfordsville by Accelplus. The majority of Accelplus assets are leased from the Accelplus Building Corporation, a quasi governmental unit. The Utility did not guarantee any of the lease payments.

Governance of the Utility has been delegated to the Utility Service Board. However, the City Council maintains authority over rates and the issuance of debt. Electric also remains under the jurisdiction of the Indiana Utility Regulatory Commission for the setting of rates, issuance of debt and other matters. Accordingly, separate statements of net assets, changes in net assets and cash flows are maintained and presented in these financial statements. While separate asset, liability, revenue and expense accounts are maintained, Accelplus does not employ any staff of their own, allocations of payroll and other expenses are necessary to properly allocate charges between the two divisions.

Basis of Presentation

The Utility follows the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC). The consolidated financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles accepted in the United States of America.

Utility Plant and Depreciation

Fixed assets, included in the electric utility plant account, are carried at cost and are depreciated ratably during the year at 3% per year on the historic cost for all assets purchased prior to 1-1-80; all purchased after 1-1-80, are depreciated per an acceptable table of life years per asset type.

Accelplus owned assets are carried at cost and are depreciated on a straight line basis over 20 years. Leased assets are amortized over the life of the lease.

Inventories

The Utility's inventory is comprised of fuel stock, plant material and operating supplies. Inventory is carried primarily on a historical weighted average cost basis.

Cash and Cash Equivalents

The Utility considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Restricted and Unrestricted Investments

Investments are stated at cost. Changes in fair value of the investments are reported as income in the year of the sale of the investment.

Interdivisional Receivables and Payables

At December 31, 2009 and 2008, Accelplus owed Electric \$3 million \$1.7 million, respectively. These amounts have been eliminated on the consolidated statement of net assets.

Income Taxes

The Utility is exempt from federal and state income taxes.

**CRAWFORDSVILLE ELECTRIC LIGHT AND POWER
NOTES TO FINANCIAL STATEMENTS**

December 31, 2009

1. Organization and Significant Accounting Policies - Continued

Use of Estimates

The preparation of these financial statements is in conformity with generally accepted accounting principles and requires management to make estimates and assumptions that affect the reported 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.

Capacity Payments and Purchased Power

In conformity with generally accepted accounting practices and the power sales contract Electric has with Indiana Municipal Power, Sales of Electric's generation is reflected as wholesale sales of electricity and not as credit to the purchased power account (expense).

Revenue Recognition

CEL&P records revenues for Electric and Accelplus as billed to its customers. Electric does not recognize any unbilled revenues that occur between meter readings. This accounting for revenues follows the rate making process of the Indiana Utility Regulatory Commission.

2. Cash, Cash Equivalents and Investments

Cash deposits and investments are governed by Indiana State Statutes. At December 31, 2009 and 2008, cash and cash equivalents include money market investments. The carrying amount of cash, cash equivalents and demand deposits approximates fair value due to the short maturity of the investments.

	2009		2008	
	Cost	Estimated Fair Value	Cost	Estimated Fair Value
<u>Cash and Cash Equivalents:</u>				
Unrestricted - General Fund	\$1,760,757	\$1,760,757	\$1,240,937	\$1,240,937
Restricted				
Depreciation Fund	977,062	977,062	232,698	232,698
Cash Reserve Fund	-	-	-	-
Meter Deposit	13,865	13,865	7,675	7,675
Flex Benefits	4,480	4,480	3,209	3,209
Total Restricted	995,407	995,407	243,582	243,582
Total Cash and Cash Equivalents	2,756,164	2,756,164	1,484,519	1,484,519
<u>Investments in Demand Deposits</u>				
Unrestricted - General Fund	-	-	1,693,500	1,693,500
Restricted				
Depreciation Fund	1,050,000	1,050,000	2,100,000	2,100,000
Cash Reserve Fund	466,593	466,593	594,976	594,976
Meter Deposit	137,000	137,000	127,000	127,000
Total Restricted Investments	1,653,593	1,653,593	2,821,976	2,821,976
Total Investments	1,653,593	1,653,593	4,515,476	4,515,476
Total Cash, Cash Equivalents and Investments	\$4,409,757	\$4,409,757	\$5,999,995	\$5,999,995

**CRAWFORDSVILLE ELECTRIC LIGHT AND POWER
NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2009

3. Leased Telecom Facilities and Capital Lease Obligations:

In May 2003, the City Council approved the establishment of a separate division within the Utility (Accelplus) for the operation of a fiber to the user project. Later in 2004, the City of Crawfordsville entered into a long-term lease agreement with Accelplus Building Corporation, an Indiana Not-for-Profit Company. The agreement provided for the City to make lease payments from the net revenues from a fiber to the user project financed by the Accelplus Building Corporation. In June of 2006, the City of Crawfordsville and Accelplus Building Corporation updated the lease agreement and participated in a tax exempt offering of \$16,660,000 in Certificates of Participation.

The proceeds from the Certificates of Participation were used to build the fiber to the user system and to pay start-up costs for the Accelplus Division of the Utility. Accelplus has capitalized \$15 million of leased facilities from the proceeds from the Certificates of Participation. An additional \$1.4 million of telecom plant has been acquired through subordinate loans from electric.

Interest began accruing on the lease on January 1, 2008. The first principal payment is due on January 1, 2011. Net rental payments made by Accelplus were \$976,000 and \$891,000 in 2009 and 2008, respectively. Accelplus makes monthly rental payments to a trustee for the Accelplus Building Corporation. All rental payments in 2009 and 2008 are reflected as interest expense. Remaining payments on the lease are as follows:

<u>Year Ended December 31,</u>	<u>Minimum Lease Payments</u>			
	<u>Interest</u>	<u>Principal</u>	<u>Executory</u>	<u>Total</u>
2010	\$978,820	\$300,000	\$5,180	\$1,284,000
2011	971,320	425,000	5,180	1,401,500
2012	952,983	500,000	5,518	1,458,500
2013	929,145	525,000	5,855	1,460,000
2014	902,233	555,000	5,768	1,463,000
2015-2029	8,308,110	14,355,000	76,890	22,740,000
	<u>\$13,042,610</u>	<u>\$16,660,000</u>	<u>\$104,390</u>	<u>\$29,807,000</u>

The lease with the Accelplus Building Corporation imputes interest at 6.03%. Lease payments are only made from the net revenues of Accelplus. Net revenues are defined revenues collected less the operating expenses of the division.

4. Contracts

Electric has a long-term power supply contract with the Indiana Municipal Power Agency ("IMPA") that runs through 2042. Under this contract, IMPA is required to supply, and Electric is required to purchase from IMPA all of its energy requirements. Electric has also dedicated its 24 MW generating capacity to IMPA. In return, IMPA makes capacity payments and reimburses Electric for generating expenses. Reimbursements from IMPA for dedicated capacity and energy generated totaled \$329,000 and \$2.1 million in 2009 and 2008, respectively. IMPA utilizes economic dispatch, and only calls for Electric to generate when economical. During 2009, Electric was not called upon by IMPA to generate. Electric's contract for capacity payments extends through August 31, 2010 at which time reimbursement arrangements with IMPA could change. The amount Electric generates has impact on operating income as reimbursements are reconciled through the Energy Cost Adjustment mechanism described more fully in Note 6.

5. Rate Increase

The most recent general base rates were established in 1992 with the Indiana Utility Regulatory Commission. In September of 2009, Electric filed for an increase in its base rates in Cause No. 43773. On May 10, 2010, Electric and the Office of the Utility Consumer Counselor reached a tentative settlement in Cause No. 43773. If the settlement agreement is approved by the Indiana Utility Regulatory Commission, retail revenues will increase by \$1.7 million annually, representing a 5.99% increase. Final approval of the rates will also be required by the Crawfordsville City Council.

CRAWFORDSVILLE ELECTRIC LIGHT AND POWER
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

6. Energy Cost Adjustment Factor

Pursuant to Rate Tariffs approved by the Indiana Utility Regulatory Commission in Cause #39381, an Energy Cost Adjustment Factor is used by Electric to recover the cost of power delivered to customers. Changes in the cost of power are tracked and a quarterly adjustment factor is used to reconcile variances in the cost of energy. Capacity and energy sales to IMPA are deducted from the cost of the energy purchased.

7. Construction Work in Progress

The Construction Work in Progress balance at December 31, 2009 and 2008 totaled \$114,000 and \$91,000, respectively. Projects include both projects constructed with Electric personnel and outside contractors. All costs are accumulated until the projects are completed and transferred to fixed assets and depreciation is begun.

8. Pensions

The utility contributes to the Public Power Employees' Retirement Fund (PERF), an agent multiple-employer public employee retirement system which acts as a common investment and administrative agent for state employees of the various subdivisions of the State of Indiana.

All full-time employees are eligible to participate in this defined benefit plan. State statutes (Indiana Code 5-10.2 and 5-10.3) govern most requirements of the system, including the benefits which vest after ten years of service and give the utility authority to contribute. Employees who have reached fifty years of age may receive retirement benefits with fifteen years of service. An employee may receive benefits at age sixty-five with ten years of service.

Employees are required to contribute 3% of compensation to an annuity savings account. These accumulated employee contributions and allocated interest income are maintained by PERF in a separate system wide fund for all members. Upon retirement, members may select a lump sum distribution of all or part of the savings account. Employees who leave employment before qualifying for benefits receive a refund of this savings account.

Since employees may receive a refund of this savings account, and the employer financed pension is not effected by it, the corresponding information for the savings account is not included in the determination of the pension benefit obligation or related funding and has not been included in this report.

No obligation is attributed to the utility because PERF pools the risk related to retired employees for all employers. Accordingly, the utility's separate actuarial valuation covers only current and terminated employees.

9. Bad Debts

CEL&P's policy is to write off customer accounts when any one of the following has occurred:

1. When after pursuit of all legal collection action has been completed and no contact is made:
2. Bankruptcy proceedings have been finalized:
3. The debtor has deceased.

Bad debt expense totaled \$110,000 and \$52,000 in 2009 and 2008, respectively. The reserve for uncollectible accounts was \$62,400 and zero at December 31, 2009 and 2008 respectively.

10. Risk Management

The Utility is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees and nature disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for several years. There were no significant reductions in insurance by major category of risk.

CRAWFORDSVILLE ELECTRIC LIGHT AND POWER
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

11. Job Related Illness and Injuries

During 1990, the Utility joined together with other governmental entities to form the Indiana Public Employers' Plan, Inc., a public entity risk pool currently operating as a common risk management and insurance program for over 1,200 member governmental entities. The purpose of the risk pool is to provide a medium for the funding and administration of job related illnesses or injuries to employees. The Utility pays an annual premium to the risk pool for its job related illnesses or injuries to employees coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event.

12. Post Employment Benefits

In additions to the pension benefits described in note 8, Electric provides postemployment health insurance benefits for employees taking early retirement as authorized by IC 5-10-8. The benefit ceases when the retiree turns 65. Eligibility is restricted to employees who retire from the Utility on or after attaining age sixty with at least fifteen years of service whose years of service plus their age equals eighty-five or greater. Benefits are based on the employee's age at retirement according to the following schedule:

	Age 55-59	Age 60	Age 61	Age 62-65
Utility Pays	-0-	25%	50%	100%

During 2009, two retirees met the eligibility requirements for postemployment health insurance. A third person will be added in 2010. Based on materiality, postemployment health insurance expenses are recorded on a pay-as-you-go basis.

Electric also sponsors a Utility Retirement Payment based on the number of years of service for the utility. The employee must meet PERF eligibility requirements. Electric pays \$20 for each year of service which is expensed in the year the employee retires.

13. Compensated Absences

CEL&P requires all vacation to be used in the year earned. Upon retirement, an employee is eligible to received \$5 for each day of unused sick time up to a maximum of 120 days. Unpaid sick time is recorded on a pay-as-you-go basis.

14. Subsequent Events

In April of 2010, the Utility Service Board passed a resolution to discontinue funding shortfalls in Accelplus net revenues. It is anticipated that Accelplus' 2010 net revenues will not be sufficient to make the required lease payments to Accelplus Building Corporation in 2010. The anticipated shortfall in net revenues will likely result in a draw on the debt service reserve account.

CRAWFORDSVILLE ELECTRIC LIGHT AND POWER
CITY OF CRAWFORDSVILLE
AUDIT RESULT AND COMMENT

FINANCIAL REPORT OPINION MODIFICATIONS

In 2008, the financial statements of the Crawfordsville Electric Light and Power were issued an adverse opinion. In the subsequent period, numerous correcting entries were made to adjust the prior year balances. In 2009, our audit did not disclose material misstatements in the financial statements; however, the adjusted beginning balances were unaudited. Therefore, the State Board of Accounts was unable to provide an unqualified opinion on the Independent Auditors' Report for the financial statements.

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors' Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CRAWFORDSVILLE ELECTRIC LIGHT AND POWER
CITY OF CRAWFORDSVILLE
EXIT CONFERENCE

The contents of this report were discussed on August 5, 2010, with Ronald Gable, Controller; Phillip R. Goode, Manager; Thomas J. Sheets, President of the Utility Board; Terri Gadd, Clerk-Treasurer; Terry E. Harris, Utility Attorney; Charlie Coons, Mayor; Nellie R. Thompson, President of the City Council; and Christina Horan, Consultant. The officials concurred with our audit findings.