

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

ANNUAL FINANCIAL REPORT

2010

CRAWFORDSVILLE ELECTRIC LIGHT & POWER

CITY OF CRAWFORDSVILLE

MONTGOMERY COUNTY, INDIANA



FILED
12/29/2011

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CRAWFORDSVILLE ELECTRIC LIGHT & POWER

January 1, 2010 to December 31, 2010
Herewith is the Annual Report for the Year 2010 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
Lyle Fogel	Board Member	807 Sugar Tree Rd Crawfordsville, Indiana
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
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the business-type activities of Crawfordsville Electric Light & Power (Utility), a department of the City of Crawfordsville, as of and for the year ended December 31, 2010, 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 an opinion on these financial statements based on our audit.

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.

As discussed in Note 1, the financial statements of Crawfordsville Electric Light & 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, 2010, 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.

The accompanying financial statements have been prepared assuming that the Telecom Division will continue as a going concern. As discussed in Note 14 to the financial statements, Accelplus, the Telecom Division of Crawfordsville Electric Light & Power has suffered recurring losses from operations and has not been able to meet its debt service funding requirements for 2010 and 2011. Due to the underfunded debt service requirements, the Utility defaulted on the \$300,000 principal amount and the \$481,910 interest amount due January 1, 2011, and July 1, 2011, respectively. These defaults raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 14. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

INDEPENDENT AUDITOR'S REPORT
(Continued)

In our opinion, 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 & Power, as of December 31, 2010, 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.

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

October 13, 2011

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, 2010. 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 93% of 2010 revenues.

CONDENSED COMPARITIVE FINANCIAL DATA

Net Assets	<u>2010</u>	<u>2009</u>
Current and other assets	\$7,281,174	\$8,407,104
Capital Assets	<u>32,633,396</u>	<u>34,182,666</u>
Total Assets	\$39,914,570	\$42,589,770
Capital Lease Obligations, net	\$16,660,000	\$16,660,000
Other Liabilities	<u>4,562,847</u>	<u>4,264,733</u>
Total Liabilities	<u>\$21,222,847</u>	<u>\$20,924,733</u>
Net Assets:	<u>\$18,691,723</u>	<u>\$21,665,037</u>

INCOME

Operating Revenues	\$31,973,527	\$33,117,772
Operating Expense	<u>33,628,850</u>	<u>34,198,527</u>
Operating Income (loss)	\$(1,655,323)	\$(1,080,755)
Non-operating expenses	<u>(1,503,315)</u>	<u>(1,309,264)</u>
Change in net assets	<u>(\$3,158,638)</u>	<u>(\$2,390,019)</u>

FINANCIAL HIGHLIGHTS

The consolidated change in net assets was a decrease of \$2.9 million from the previous year because of losses by both divisions. The national recession and the global economy played a major role in the 2010 financial results. Unemployment continued to hover around 9% in Montgomery County in 2010, and the weak employment had a negative impact on electric consumption and the addition of new customers for Accelplus.

The reduction in total revenues is the result of a decrease in commercial and industrial electricity demand of \$1.3 million due to the continued economic slump, offset by a 5.6% increase in Accelplus sales compared to prior year. In addition, Electric saw a slight increase in kWh sales to residential customers primarily due to a combination of a hot summer and the introduction of the new base utility rates. kWh Unit sales increased by 2.2%, while electric revenues decreased 4.1%. Administrative costs increased by approximately \$700k due in major part to the legal and financial analysis related to the rate case settlement process. In summation, the increased administration costs coupled with a reduction in revenue combined to result in a loss of \$1.9 million for the year for Electric, compared to a \$1.2 million loss in 2009.

While revenues for Accelplus grew by 5.6%, the growth in Accelplus customers fell well short of the need for 2010. Continued 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 \$1.2 million in 2010. Because of continued poor operating results, the high cost of adding additional customers and the need for additional capital to grow the division, the Utility Service Board has continued 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. During 2010, Accelplus failed to make the full monthly interest payments and the initial principal payment to U.S. Bank, and, in doing that, violated the bond holder agreement and could possibly face legal action on behalf of the COP holders.

SIGNIFICANT CAPITAL ASSET ADDITIONS

During 2010, 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 2010.

SUBSEQUENT EVENTS

CEL&P is currently pursuing the possible sale or demolition of the power plant. They are currently in negotiations with a prospective buyer. A definite time table for resolution is not set at this time.

CRAWFORDSVILLE ELECTRIC LIGHT & POWER

STATEMENT OF NET ASSETS

ELECTRIC AND TELECOM DIVISIONS

	<u>As of</u> <u>12/31/2010</u>
ASSETS	
Current Assets	
Unrestricted cash and cash equivalents	\$1,777,236
Customer receivables, (net)	1,020,219
Miscellaneous accounts receivable	4,950
Fuel stock	271,150
Plant materials and operating supplies	841,838
Prepaid maintenance charges	122,016
Prepaid insurance	108,515
Other prepayments	94,250
Other	58,713
	<hr/>
Total Current Assets	4,298,887
	<hr/>
Noncurrent Assets	
Restricted Assets	
Cash and cash equivalents	1,375,441
Debt service reserve held with trustee	1,313,221
Investments	-
Interest receivable	-
	<hr/>
Total Restricted Assets	2,688,662
	<hr/>
Other Deferred Debits	293,625
	<hr/>
Capital Assets	
Electric plant, net	17,531,385
Telecom plant, net	15,102,011
	<hr/>
Total Capital Assets	32,633,396
	<hr/>
Total Noncurrent Assets	35,615,683
	<hr/>
TOTAL ASSETS	\$39,914,570
	<hr/> <hr/>

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

CRAWFORDSVILLE ELECTRIC LIGHT & POWER

STATEMENT OF NET ASSETS

ELECTRIC AND TELECOM DIVISIONS

(Continued)

	<u>As of</u> <u>12/31/2010</u>
LIABILITIES	
Current Liabilities	
Account payable	\$3,647,710
Accrued payroll	136,651
State sales tax payable	90,051
Accrued pension	68,507
Customer deposits	157,027
Project Safe vouchers received (not applied)	-
Accrued interest	442,637
Other accrued liabilities	20,264
	<hr/>
Total Current Liabilities	4,562,847
	<hr/>
Long-term capital lease obligation	16,660,000
	<hr/>
TOTAL LIABILITIES	\$21,222,847
	<hr/> <hr/>
NET ASSETS	
Invested in Capital Assets, net of associated lease obligations	\$15,973,396
Restricted Funds	2,531,635
Unrestricted	186,692
	<hr/>
TOTAL NET ASSETS	\$18,691,723
	<hr/> <hr/>

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

	<u>Calendar Year</u>
	<u>2010</u>
OPERATING REVENUES	
Electric operating revenues	\$29,712,506
Telecom revenues	2,261,021
	<hr/>
Total Operating Revenues	31,973,527
	<hr/>
OPERATING EXPENSES	
Purchased power	22,980,334
Steam power generation	880,210
Transmission and distribution	1,592,703
Telecom operating and marketing expense	1,322,581
Customer accounts expense	514,997
Administrative and general	3,520,303
Depreciation and amortization	2,116,170
Taxes	701,552
	<hr/>
Total Operating Expenses	33,628,850
	<hr/>
Operating Income (Loss)	(1,655,323)
	<hr/>
NONOPERATING REVENUES (EXPENSES)	
Interest income	25,707
Miscellaneous income	21,681
Revenue from contract work	2,199
Cost of contract work	(60,788)
Gain/Loss on disposal assets	(342)
Miscellaneous income deductions	(771)
Interest on long-term capital lease	(1,066,000)
	<hr/>
Total Nonoperating Revenue (Expenses)	(1,078,314)
	<hr/>
Net Income before Capital Contributions and Transfers	(2,733,637)
	<hr/>
TRANSFERS OUT -	
Payments in Lieu of Taxes	(425,001)
	<hr/>
Change in Net Assets	(3,158,638)
Adjustments to prior year	185,324
Total Net Assets - Beginning	21,665,037
	<hr/>
Total Net Assets - Ending	\$18,691,723
	<hr/> <hr/>

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

CRAWFORDSVILLE ELECTRIC LIGHT & POWER

STATEMENT OF CASH FLOWS

ELECTRIC AND TELECOM DIVISIONS

	<u>Calendar Year</u>
	<u>2010</u>
CASH FLOWS FROM OPERATION ACTIVITIES	
Receipts from customers	\$30,948,358
Payments to suppliers and employees	<u>(28,703,628)</u>
Net Cash Provided by Operation Activities	<u>2,244,730</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers out	(425,001)
Reimbursements from related party (Building Corporation)	<u>-</u>
Net Cash (Used) by Noncapital Financing Activities	<u>1,389,313</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES	
Purchases and construction of capital assets	(35,043,191)
Miscellaneous income	(38,021)
Interest paid on capital lease	<u>(623,363)</u>
Net Cash (Used) by Capital and Related Financing Activities	<u>(35,704,575)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	<u>25,707</u>
Net Cash Provided by Investing Activities	<u>25,707</u>
Net increase (decrease) in cash and cash equivalents	(32,044,825)
Balances - Beginning of the Year	<u>-</u>
Balances - End of the Year	<u><u>(\$32,044,825)</u></u>
Displayed As:	
Unrestricted cash and cash equivalents	\$1,777,236
Investments	-
Restricted cash and investments	<u>2,688,662</u>
Total Cash and Investments	<u><u>\$4,465,898</u></u>
Reconciliation of Operating Income (Loss) to Net Cash	
Provided (Used) by Operating Activities:	
Operating Income (Loss)	(\$1,655,323)
Adjustments to Reconcile Operating Income to Net Cash	
Provided (Used) By Operating Activities:	
Depreciation and amortization expense	2,116,170
Changes In Assets and Liabilities	
Receivables, net	(1,023,284)
Miscellaneous receivables, net	(1,885)
Prepaid and other assets	(383,494)
Fuel and materials and supplies	(1,112,988)
Accounts and other payables	4,120,210
Prior period adjustment	<u>185,324</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$2,244,730</u></u>

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

CRAWFORDSVILLE ELECTRIC LIGHT & POWER

STATEMENT OF NET ASSETS

ELECTRIC DIVISION

	<u>As of</u> <u>12/31/2010</u>
ASSETS	
Current Assets	
Unrestricted cash and cash equivalents	\$1,718,420
Customer receivables, (net)	793,576
Accounts receivable project safe	3,065
Fuel stock	271,150
Plant materials and operating supplies	647,609
Prepaid maintenance charges	60,379
Prepaid insurance	108,515
Other prepayments	92,913
Other	59,290
	<hr/>
Total Current Assets	3,754,917
Noncurrent Assets	
Restricted Assets	
Cash and cash equivalents	1,362,841
Investments	-
Interest receivable	-
	<hr/>
Total Restricted Assets	1,362,841
Other noncurrent assets	
Advance of operating expenses to Telecom	1,454,384
Telecom division loan receivable	1,814,314
Other deferred debits	293,525
	<hr/>
Total Other Noncurrent Assets	3,562,223
Capital Assets	
Utility plant in service	52,028,685
Less accumulated depreciation	(34,714,870)
	<hr/>
Net Plant	17,313,815
Construction work in progress	217,570
	<hr/>
Total Capital Assets	17,531,385
Total Noncurrent Assets	22,456,449
	<hr/>
TOTAL ASSETS	<u>\$26,211,366</u>

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

CRAWFORDSVILLE ELECTRIC LIGHT & POWER

STATEMENT OF NET ASSETS

ELECTRIC DIVISION

(Continued)

	<u>As of</u> <u>12/31/2010</u>
LIABILITIES	
Current Liabilities	
Account payable	\$3,541,834
Accrued payroll	136,651
State sales tax payable	82,960
Accrued pension	68,507
Customers meter deposits payable	144,427
Project Safe vouchers received (not applied)	-
Other accrued liabilities	<u>20,264</u>
TOTAL LIABILITIES	<u><u>\$3,994,643</u></u>
NET ASSETS	
Invested in capital assets	\$17,531,385
Restricted funds	1,218,414
Unrestricted	<u>3,466,924</u>
TOTAL NET ASSETS	<u><u>\$22,216,723</u></u>

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 2010
OPERATING REVENUES	
Residential sales	\$7,530,285
Commercial and industrial sales	20,913,173
Outdoor and street lighting sales	285,171
Sales to other authorities	109,164
Sales for resale	487,690
Other operating revenue	387,023
Total Operating Revenues	29,712,506
OPERATING EXPENSES	
Purchased power	22,980,334
Steam power generation	880,210
Transmission and distribution	1,592,703
Administrative and general	3,195,348
Depreciation	1,357,174
Customer accounts expense	497,049
Utility receipts tax	388,970
F.I.C.A. tax	226,193
Unemployment tax	8,298
Other taxes	280
Total Operating Expenses	31,126,559
Operating Income (Loss)	(1,414,053)
NONOPERATING REVENUES (EXPENSES)	
Interest income	25,707
Miscellaneous income	21,681
Revenue from contract work	2,199
Cost of contract work	(60,788)
Gain/Loss on disposal assets	(342)
Miscellaneous income deductions	(771)
Total Nonoperating Revenue (Expenses)	(12,314)
Net Income (loss) before Capital Contributions and Transfers	(1,426,367)
TRANSFERS OUT -	
Payments in Lieu of Taxes	(425,001)
Change in Net Assets	(1,851,368)
Adjustments to prior year	185,324
Total Net Assets - Beginning	23,882,767
Total Net Assets - Ending	\$22,216,723

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

CRAWFORDSVILLE ELECTRIC LIGHT & POWER

STATEMENT OF CASH FLOWS

ELECTRIC DIVISION

	<u>Calendar Year</u>
	<u>2010</u>
CASH FLOWS FROM OPERATION ACTIVITIES	
Receipts from customers	\$28,915,865
Payments to suppliers and employees	<u>(26,829,274)</u>
Net Cash Provided by Operation Activities	<u>2,086,591</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers out	(425,001)
Interfund loans - proceeds and collections	<u>(1,454,384)</u>
Net Cash (Used) by Noncapital Financing Activities	<u>(1,879,385)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases and construction of capital assets	(19,182,084)
Miscellaneous income	<u>(38,021)</u>
Net Cash (Used) by Capital and Related Financing Activities	<u>(19,220,105)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	<u>25,707</u>
Net Cash Provided by Investing Activities	<u>25,707</u>
Net Increase in Cash and Cash Equivalents	(18,987,192)
Balances - Beginning of the Year	<u>-</u>
Balances - End of the Year	<u><u>(\$18,987,192)</u></u>
Displayed As:	
Unrestricted cash and cash equivalents	\$1,718,420
Investments	-
Restricted cash and cash equivalents	1,362,841
Restricted Investments	<u>-</u>
Total Cash and Investments	<u><u>\$3,081,261</u></u>
Reconciliation of Operating Income (Loss) to Net Cash	
Provided (Used) by Operating Activities:	
Operating Income (Loss)	(\$1,414,053)
Adjustments to Reconcile Operating Income to Net Cash	
Provided (Used) by Operating Activities:	
Depreciation expense	1,357,174
Changes In Assets and Liabilities	
Customer receivables, net	(796,641)
Miscellaneous receivables, net	-
Prepaid and other assets	(321,097)
Fuel and materials inventory	(918,759)
Accounts and other payables	3,541,834
Accrued payroll and pensions	205,158
Taxes payable	82,960
Meter deposits payable	144,427
Project Safe vouchers payable	-
Other payables	20,264
Prior period adjustment	<u>185,324</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$2,086,591</u></u>

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

CRAWFORDSVILLE ELECTRIC LIGHT & POWER

STATEMENT OF NET ASSETS

TELECOM DIVISION

	<u>As of</u>
	<u>12/31/2010</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$58,816
Customer receivables, (net)	226,643
Miscellaneous accounts receivable	1,885
Prepaid maintenance charges	61,637
Prepaid other	1,337
Materials and supplies	194,229
Other assets	<u>(577)</u>
Total Current Assets	<u>543,970</u>
Restricted Assets - Customer Deposits Cash	
Customer deposits - cash	12,600
Debt service reserve held with fiscal agent	<u>1,313,221</u>
Total Restricted Assets	<u>1,325,821</u>
Noncurrent Assets	
Deferred Debits	<u>100</u>
Capital Assets	
Leased Telecom facilities	15,185,000
Accumulated amortization on leased facilities	<u>(2,532,372)</u>
Net Leased Assets	12,652,628
Telecom plant owned, net of accumulated depreciation	2,196,410
Telecom plant under construction	<u>252,973</u>
Total Capital Assets	<u>15,102,011</u>
TOTAL ASSETS	<u>\$16,971,902</u>
LIABILITIES	
Current Liabilities	
Account payable	\$105,876
Customer deposits	12,600
Accrued interest	442,637
Accrued taxes payable	<u>7,091</u>
Total Current Liabilities	<u>568,204</u>
Noncurrent Liabilities	
Long-term capital lease obligation	16,660,000
Due to Electric for operating expenses	1,454,384
Notes payable to Electric	<u>1,814,314</u>
Total Noncurrent Liabilities	<u>19,928,698</u>
TOTAL LIABILITIES	<u>\$20,496,902</u>
NET ASSETS	
Invested in Capital Assets Net of Capital Lease	(\$4,826,687)
Restricted Funds	-
Unrestricted	<u>1,301,687</u>
TOTAL NET ASSETS	<u>(\$3,525,000)</u>

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

	<u>Calendar Year</u>
	<u>2010</u>
OPERATING REVENUES	
Internet / video revenue	\$2,035,826
Other revenue	225,195
	<hr/>
Total Operating Revenues	2,261,021
	<hr/>
OPERATING EXPENSES	
Content fees	802,423
Operating expense	486,512
Customer accounts expense	17,948
Marketing and advertising	33,646
Amortization	634,092
Depreciation	124,904
Administrative and general expense	324,955
F.I.C.A. tax	31,316
Other taxes	46,495
	<hr/>
Total Operating Expenses	2,502,291
	<hr/>
Operating Income (Loss)	(241,270)
	<hr/>
NONOPERATING REVENUES (EXPENSES)	
Interest income	-
Interest on long-term capital lease	(1,066,000)
	<hr/>
Total Nonoperating Revenue (Expenses)	(1,066,000)
	<hr/>
Net Income before Capital Contributions and Transfers	(1,307,270)
	<hr/>
Change in Net Assets	(1,307,270)
Total Net Assets - Beginning	(2,217,730)
	<hr/>
Total Net Assets - Ending	(\$3,525,000)
	<hr/> <hr/>

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

CRAWFORDSVILLE ELECTRIC LIGHT & POWER
STATEMENT OF CASH FLOWS

TELECOM DIVISION

	Calendar Year
	2010
CASH FLOWS FROM OPERATION ACTIVITIES	
Receipts from customers	\$2,032,493
Payments to suppliers	(1,874,354)
	158,139
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Interfund loans - proceeds and collections	3,268,698
	3,268,698
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases and construction of capital assets	(15,861,107)
Interest paid on capital lease	(623,363)
	(16,484,470)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	-
	-
Net Cash Provided by Investing Activities	-
Net increase in cash and cash equivalents	(13,057,633)
Balances - Beginning of the Year	-
	-
Balances - End of the Year	(\$13,057,633)
Displayed As:	
Cash and cash equivalents	\$58,816
Restricted cash and investments	1,325,821
	1,384,637
Total Cash and Investments	\$1,384,637
Reconciliation of Operating Income (Loss) to Net Cash	
Provided (Used) by Operating Activities:	
Operating Income (Loss)	(\$241,270)
Adjustments to Reconcile Operating Income to Net Cash	
Provided (Used) by Operating Activities:	
Depreciation expense	124,904
Amortization expense	634,092
Changes In assets and liabilities	
Customer receivables, net	(226,643)
Miscellaneous receivables, net	(1,885)
Prepaid and other assets	(62,974)
Materials and supplies inventory	(194,229)
Other assets	577
Accounts and other payables	112,967
Customer deposits payable	12,600
	12,600
Net Cash Provided (Used) by Operating Activities	\$158,139

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

CRAWFORDSVILLE ELECTRIC LIGHT & POWER
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

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.

Cash deposits and investments are governed by Indiana State Statutes. At December 31, 2010 and 2009, cash and cash

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, 2010 and 2009, Accelplus owed Electric \$3.3 million \$3 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 & POWER
NOTES TO FINANCIAL STATEMENTS
December 31, 2010
(Continued)

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, 2010 and 2009, 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.

	2010		2009	
	Cost	Estimated Fair Value	Cost	Estimated Fair Value
<u>Cash and Cash Equivalents:</u>				
Unrestricted - General Fund	\$1,777,086	\$1,777,086	\$1,760,757	\$1,760,757
Restricted				
Depreciation Fund	1,214,615	1,214,615	977,062	977,062
Cash Reserve Fund	-	-	-	-
Meter Deposit	156,132	156,132	13,865	13,865
Flex Benefits	4,844	4,844	4,480	4,480
Total Restricted	1,375,591	1,375,591	995,407	995,407
Total Cash and Cash Equivalents	3,152,677	3,152,677	2,756,164	2,756,164
<u>Investments in Demand Deposits</u>				
Unrestricted - General Fund	-	-	-	-
Restricted				
Depreciation Fund	-	-	1,050,000	1,050,000
Cash Reserve Fund	-	-	466,593	466,593
Meter Deposit	-	-	137,000	137,000
Total Restricted Investments	-	-	1,653,593	1,653,593
Total Investments	-	-	1,653,593	1,653,593
Total Cash, Cash Equivalents and Investments	\$3,152,677	\$3,152,677	\$4,409,757	\$4,409,757

CRAWFORDSVILLE ELECTRIC LIGHT & POWER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)

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 \$1,066,000 and \$976,000 in 2010 and 2009, respectively. Accelplus makes monthly rental payments to a trustee for the Accelplus Building Corporation. All rental payments in 2010 and 2009 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>
2011	\$971,320	\$300,000	\$5,180	\$1,276,500
2012	952,983	425,000	5,518	1,383,500
2013	929,145	500,000	5,855	1,435,000
2014	902,233	525,000	5,768	1,433,000
2015	873,335	555,000	5,665	1,434,000
2016-2029	7,434,775	14,355,000	71,225	21,861,000
	<u>\$12,063,790</u>	<u>\$16,660,000</u>	<u>\$99,210</u>	<u>\$28,823,000</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 \$488,000 and \$329,000 in 2010 and 2009, respectively. IMPA utilizes economic dispatch, and only calls for Electric to generate when economical. During 2010, Electric was not called upon by IMPA to generate. Electric's contract for capacity payments extends through May 31, 2011 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. The newly approved rates were put in place for the October 2010 billing cycle.

CRAWFORDSVILLE ELECTRIC LIGHT & POWER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)

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, 2010 and 2009 totaled \$218,000 and \$115,000, 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.

Cash deposits and investments are governed by Indiana State Statutes. At December 31, 2010 and 2009, cash and cash equivalents 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 \$48,000 and \$110,000 in 2010 and 2009, respectively. The reserve for uncollectible accounts was \$62,856 and \$62,400 at December 31, 2010 and 2009, 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 & POWER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)

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.

Cash deposits and investments are governed by Indiana State Statutes. At December 31, 2010 and 2009, cash and cash 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 May of 2011, the capacity purchase agreement with IMPA ended as CEL&P opened an RFP for the possible sale of the Power Plant.

During 2010, Accelplus failed to make the full monthly interest payments and the initial principal payment to U.S. Bank, and, in doing that, violated the bond holder agreement and could possibly face legal action on behalf of the COP holders. There have been ongoing discussions between Accelplus and U.S. Bank.

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

DISTRIBUTION OF NET REVENUES TO THE VARIOUS FUNDS

Net revenues from the operations of Accelplus, a division of Crawfordsville Electric Light & Power (CEL&P), were not sufficient to make all payments required by the debt financing. Accelplus provides fiber-optic cable television service and internet communication services to customers within the service territory of CEL&P. The trust agreement requires transfers from Accelplus to US Bank, custodian of the Accelplus funds. Transfers made to US Bank in 2010 were \$446,585 compared to the required transfer amount of \$978,660 resulting in a deficiency of \$532,075.

Due to the underfunded debt service requirements in 2010 and 2011, the Utility defaulted on the \$300,000 principal amount and the \$481,910 interest amount due January 1, 2011, and July 1, 2011, respectively. These defaults raise substantial doubt about its ability to continue as a going concern.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CRAWFORDSVILLE ELECTRIC LIGHT & POWER
CITY OF CRAWFORDSVILLE
EXIT CONFERENCE

The contents of this report were discussed on October 13, 2011, with Phillip R. Goode, Manager; Ronald Gable, Controller; Thomas J. Sheets, President of the Utility Service Board; Christina Horan, Consultant; Ramona McCance, Deputy City Clerk; and Charlie Coons, Mayor. The officials concurred with our audit finding.