

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

ANNUAL FINANCIAL REPORT

2011

CRAWFORDSVILLE ELECTRIC LIGHT AND POWER

CITY OF CRAWFORDSVILLE

MONTGOMERY COUNTY, INDIANA



FILED
02/05/2013

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OFFICIALS
CRAWFORDSVILLE ELECTRIC LIGHT & POWER

January 1, 2011 to December 31, 2011
Herewith is the Annual Report for the Year 2011 Covering the
Operations of Crawfordsville Electric Light & Power

Roger Tarter	President of Utility Board	1185 W Country Club Rd Crawfordsville, Indiana
Samuel H. Hildebrand	Vice-President of Utility Board	412 West Main Street Crawfordsville, Indiana
Lyle Fogel	Secretary of Utility Board	807 Sugar Tree Rd Crawfordsville, Indiana
Jerome Knecht	Board Member	209 North Grace Ave Crawfordsville, Indiana
Dennis Cook	Board Member	403 E Wabash Ave Crawfordsville, Indiana
Phillip R. Goode	Manager	301 East 800 North Crawfordsville, Indiana
Daniel L Taylor	Utility Attorney	1053 W Cedar Ln Crawfordsville, Indiana
Heather Perkins	Council Liaison to Utility Board	1206A West Wabash Av Crawfordsville, Indiana
Todd Barton	Mayor	4 Trotwood Ct Crawfordsville, Indiana
Terri Gadd	City Clerk Treasurer	506 South Washington Crawfordsville, Indiana
Ronald Gable	Controller	365 West 580 North Crawfordsville, Indiana



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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, 2011, 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.

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 financial reporting. Accordingly, we express no such opinion. 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 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, 2011, 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, 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, 2011, 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 accompanying financial statements have been prepared assuming that the Telecom Division will continue as a going concern. As discussed in Note 4 to the financial statements, Accelplus, the Telecom Division of Crawfordsville Electric Light and Power has suffered recurring losses from operations and has not been able to meet their debt service funding requirements for 2011 and 2012. Due to the underfunded debt service requirements, the Utility defaulted on the \$300,000 and the \$425,000 principal amounts due January 1, 2011, and January 1, 2012, respectively, and the \$481,910 interest amounts due July 1, 2011, and January 1, 2012, 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 4. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the Table of Contents, be presented to supplement the basis 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 sufficient evidence to express an opinion or provide any assurance.

The Utility's response to the Audit Result and Comment identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the Utility's response and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

October 30, 2012

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, 2011. 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 2011 revenues.

CONDENSED COMPARITIVE FINANCIAL DATA

Net Assets	<u>2011</u>	<u>2010</u>
Current and other assets	\$7,077,891	\$7,281,174
Capital Assets	<u>31,540,748</u>	<u>32,633,396</u>
Total Assets	\$38,618,639	\$39,914,570
Capital Lease Obligations, net	\$16,660,000	\$16,660,000
Other Liabilities	<u>5,181,327</u>	<u>4,562,847</u>
Total Liabilities	<u>\$21,841,327</u>	<u>\$21,222,847</u>
Net Assets:	<u>\$16,777,312</u>	<u>\$18,691,723</u>

Detail of Net Assets:

Capital Assets, Net of related debt	\$14,880,748	\$15,973,396
Restricted	1,879,323	2,531,635
Unrestricted	<u>17,241</u>	<u>186,692</u>
Total Net Assets:	<u>\$16,777,312</u>	<u>\$18,691,723</u>

INCOME

Operating Revenues	\$34,545,568	\$31,973,527
Operating Expense	<u>34,456,896</u>	<u>32,994,758</u>
Operating Income (loss)	\$88,672	\$(1,021,231)
Non-operating expenses	<u>(2,003,084)</u>	<u>(2,137,407)</u>
Change in net assets	<u>(\$1,914,412)</u>	<u>(\$3,158,638)</u>

FINANCIAL HIGHLIGHTS

The consolidated change in net assets was a decrease of \$1.9 million from the previous year because of losses by both divisions. The national recession and the global economy played a major role in the 2011 financial results. Unemployment continued to hover around 9% in Montgomery County in 2011, and the weak employment had a negative impact on electric consumption and the addition of new customers for Accelplus.

Total revenues for Electric increased by \$2.5 million due to the rate increase put in effect in October 2010 as well as a higher tracker due to increased purchased power costs that pass through the tracker, along with a 4.3% increase in Accelplus sales compared to prior year. Purchased power cost increased by \$1.4 million due to an increase in the tracker charge from IMPA. Steam power generation costs had a slight increase due to the boiler testing that was run in August. In summation, the increase in revenues was partially offset by the increase in purchased power costs and resulted in a loss of \$678M for the year for Electric, compared to a \$1.9 million loss in 2010.

While revenues for Accelplus grew by 4.3%, the growth in Accelplus customers fell well short of the need for 2011. 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 2011. 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. During 2011, 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 2011, the only significant capital project is the Kentucky Street switchgear which was not complete prior to December 31. It is scheduled to be in service in March 2012.

COMPANY DEBT

Neither Electric nor Accelplus issued any new debt in 2011.

SUBSEQUENT EVENTS

CEL&P currently has a purchase agreement with Crawfordsville Energy, LLC for the sale of the power plant. The time table for closing is not certain at this time.

CRAWFORDSVILLE ELECTRIC LIGHT AND POWER

STATEMENT OF NET ASSETS

	<u>As of</u> <u>12/31/2011</u>
ASSETS:	
Current Assets:	
Unrestricted cash and cash equivalents	\$1,772,549
Accounts receivable	1,277,603
Miscellaneous accounts receivable	4,265
Fuel stock	241,456
Plant materials and operating supplies	838,305
Prepaid maintenance charges	85,404
Prepaid insurance	108,647
Other prepayments	128,912
Other	<u>272,993</u>
 Total Current Assets	 <u>4,730,134</u>
 Noncurrent Assets:	
Restricted Assets:	
Cash and cash equivalents	1,108,009
Debt service reserve held with trustee	<u>946,123</u>
 Total Restricted Assets	 <u>2,054,132</u>
 Other Assets:	
Other deferred debits	<u>293,625</u>
 Capital Assets:	
Electric plant, net	17,048,305
Telecom plant, net	<u>14,492,443</u>
 Total Capital Assets	 <u>31,540,748</u>
 TOTAL ASSETS	 <u><u>\$38,618,639</u></u>

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

CRAWFORDSVILLE ELECTRIC LIGHT AND POWER

STATEMENT OF NET ASSETS

(Continued)

	<u>As of</u> <u>12/31/2011</u>
LIABILITIES:	
Current Liabilities:	
Accounts payable	\$3,878,788
Accrued payroll	133,423
State sales tax payable	92,971
Accrued pension	8,166
Customer deposits	174,809
Accrued interest	872,038
Other accrued liabilities	<u>21,132</u>
Total Current Liabilities	<u>5,181,327</u>
Long term lease payable	<u>16,660,000</u>
TOTAL LIABILITIES	<u><u>\$21,841,327</u></u>
NET ASSETS:	
Invested in Capital Assets, net of associated debt	\$14,880,748
Restricted	1,879,323
Unrestricted	<u>17,241</u>
TOTAL NET ASSETS	<u><u>\$16,777,312</u></u>

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

CRAWFORDSVILLE ELECTRIC LIGHT AND POWER

**COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS**

	<u>Calendar Year</u>
	<u>2011</u>
Operating Revenues:	
Electric operating revenues	\$32,188,258
Telecom revenues	<u>2,357,310</u>
Total Operating Revenues	<u>34,545,568</u>
Operating Expenses:	
Purchased power	24,370,655
Steam power generation	1,017,996
Transmission and distribution	1,537,022
Telecom operating and marketing expense	1,497,388
Customer accounts expense	551,038
Administrative and general	3,295,215
Taxes	<u>736,517</u>
Sub-Totals	33,005,831
Depreciation expense	<u>1,451,066</u>
Total Operating Expenses	<u>34,456,897</u>
Net Operating Revenues (Expenses)	<u>88,671</u>
Nonoperating Income and Expense:	
Interest income	11,352
Miscellaneous income	4,170
Amortization expense	(634,090)
Revenue from contract work	18,794
Cost of contract work	8,603
Gain/Loss on disposal assets	(9,768)
Miscellaneous income deductions	(642)
Interest on long-term capital lease	<u>(976,500)</u>
Total Nonoperating Income and Expense	(1,578,081)
Net Income before Capital Contributions and Transfers	<u>(1,489,410)</u>
Payment in lieu of taxes	<u>(425,001)</u>
Change in Net Assets	(1,914,411)
Total Net Assets - Beginning	<u>18,691,723</u>
Total Net Assets - Ending	<u><u>\$16,777,312</u></u>

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

CRAWFORDSVILLE ELECTRIC LIGHT AND POWER

STATEMENT OF CASH FLOWS

	2011
Cash Flow from Operating Activities:	
Receipts from customers	\$34,291,613
Payments to suppliers and employees	(32,998,729)
Net Cash from Operating Activities	1,292,884
Cash Flow from Capital and Related Financing Activities:	
Transfers out	(425,001)
Purchases and construction of capital assets	(992,510)
Miscellaneous income	21,157
Interest paid on capital lease	(547,099)
Net Cash from Capital Financing Activities	(1,943,453)
Cash Flow from Investing Activities:	
Interest	11,352
Net Cash from Investing Activities	11,352
Net increase (decrease) in cash and cash equivalents	(639,217)
Balances - Beginning of the Year	4,465,898
Balances - End of the Year	\$3,826,681
Displayed As:	
Unrestricted cash and cash equivalents	\$1,772,549
Investments	-
Restricted cash and investments	2,054,132
Total Cash and Investments	\$3,826,681
Reconciliation of Operating Income (Loss) to Net Cash	
Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$88,671
Adjustments to Reconcile Operating Income to Net Cash	
Provided (Used) By Operating Activities:	
Depreciation and amortization expense	1,451,066
Changes In Assets and Liabilities	
Receivables, net	(256,559)
Miscellaneous receivables, net	(140)
Prepaid and other assets	(198,303)
Fuel and materials inventory	19,068
Accounts and other payables	233,657
Accrued payroll and pensions	(63,569)
Taxes payable	341
Meter deposits payable	17,782
Other payables	868
Net Cash Provided (Used) by Operating Activities	\$1,292,882

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

CRAWFORDSVILLE ELECTRIC LIGHT AND POWER

STATEMENT OF NET ASSETS
AS OF 12/31/2011

	Electric Utility	Telecom	Total
ASSETS:			
Current Assets:			
Unrestricted cash and cash equivalents	\$ 1,651,224	\$ 121,325	\$ 1,772,549
Accounts receivable	992,747	284,856	1,277,603
Miscellaneous accounts receivable	2,240	2,025	4,265
Fuel stock	241,456	-	241,456
Plant materials and operating supplies	619,850	218,455	838,305
Prepaid maintenance charges	81,699	3,705	85,404
Prepaid insurance	108,647	-	108,647
Other prepayments	110,772	18,140	128,912
Other	259,411	13,582	272,993
Total Current Assets	4,068,046	662,088	4,730,134
Noncurrent Assets:			
Restricted Assets:			
Cash and cash equivalents	1,093,659	14,350	1,108,009
Debt service reserve held with trustee	-	946,123	946,123
Total Restricted Assets	1,093,659	960,473	2,054,132
Other Assets:			
Advance of operating expenses to Telecom	1,258,537	(1,258,537)	-
Telecom division loan receivable	1,814,314	(1,814,314)	-
Other deferred debits	293,525	100	293,625
Total Other Noncurrent Assets	3,366,376	(3,072,751)	293,625
Capital Assets:			
Utility plant in service	52,471,781	-	52,471,781
Accumulated depreciation	(36,023,935)	-	(36,023,935)
Lease Telecom facilities	-	15,185,000	15,185,000
Accumulated amortization on lease facilities	-	(3,166,464)	(3,166,464)
Telecom plant owned	-	2,291,435	2,291,435
Net utility plant in service	16,447,846	14,309,971	30,757,817
Construction work in progress	600,459	182,472	782,931
Total Capital Assets	17,048,305	14,492,443	31,540,748
TOTAL ASSETS	25,576,386	13,042,253	38,618,639

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

CRAWFORDSVILLE ELECTRIC LIGHT AND POWER

STATEMENT OF NET ASSETS

AS OF 12/31/2011

(Continued)

	<u>Electric Utility</u>	<u>Telecom</u>	<u>Total</u>
LIABILITIES:			
Current Liabilities:			
Accounts payable	3,783,372	95,416	3,878,788
Accrued payroll	133,423	-	133,423
State sales tax payable	83,301	9,670	92,971
Accrued pension	8,166	-	8,166
Customer deposits	160,459	14,350	174,809
Accrued interest	-	872,038	872,038
Other accrued liabilities	21,132	-	21,132
Total Current Liabilities	4,189,853	991,474	5,181,327
Long term lease payable	-	16,660,000	16,660,000
TOTAL LIABILITIES	4,189,853	17,651,474	21,841,327
NET ASSETS:			
Invested in Capital Assets, net of associated debt	17,048,305	(2,167,557)	14,880,748
Restricted	933,200	946,123	1,879,323
Unrestricted	3,405,028	(3,387,787)	17,241
TOTAL NET ASSETS	21,386,533	(4,609,221)	16,777,312

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

CRAWFORDSVILLE ELECTRIC LIGHT AND POWER

STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN NET ASSETS

	<u>Electric Utility</u>	<u>Telecom</u>	<u>Total</u>
Operating Revenues:			
Residential sales	\$8,221,817	-	\$8,221,817
Commercial and industrial sales	22,919,959	-	22,919,959
Outdoor and street lighting sales	302,722	-	302,722
Sales to other authorities	114,338	-	114,338
Sales for resale	200,289	-	200,289
Other operating revenue	429,133	-	429,133
Internet / Video revenue	-	2,160,400	2,160,400
Other revenue	-	196,910	196,910
	<hr/>	<hr/>	<hr/>
Total Operating Revenues	32,188,258	2,357,310	\$34,545,568
Operating Expenses:			
Purchased power	24,370,655	-	24,370,655
Steam power generation	1,017,996	-	1,017,996
Transmission and distribution	1,537,022	-	1,537,022
Administrative and general	3,022,616	272,599	3,295,215
Customer accounts expense	533,064	17,974	551,038
Utility receipts tax	443,523	-	443,523
F.I.C.A. tax	234,888	25,732	260,620
Other taxes	280	32,094	32,374
Content fees	-	862,365	862,365
Operating Expense	-	632,072	632,072
Marketing and Advertising	-	2,951	2,951
	<hr/>	<hr/>	<hr/>
Sub-Totals	31,160,044	1,845,787	33,005,831
Depreciation expense	1,313,766	137,300	1,451,066
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	32,473,810	1,983,087	34,456,897
	<hr/>	<hr/>	<hr/>
Net Operating Revenues (Expenses)	(285,552)	374,223	88,671
Nonoperating Income and Expense:			
Interest income	11,352	-	11,352
Miscellaneous income	4,170	-	4,170
Revenue from contract work	18,794	-	18,794
Cost of contract work	8,603	-	8,603
Gain/Loss on disposal assets	(9,768)	-	(9,768)
Miscellaneous income deductions	(642)	-	(642)
Amortization	-	(634,090)	(634,090)
Interest on long-term capital lease	-	(976,500)	(976,500)
	<hr/>	<hr/>	<hr/>
Total Nonoperating Income and Expense	32,509	(1,610,590)	(1,578,081)
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Net Income before Capital Contributions and Transfers	(253,043)	(1,236,367)	(1,489,410)
	<hr/>	<hr/>	<hr/>
Payments in Lieu of Taxes	(425,001)	-	(425,001)
	<hr/>	<hr/>	<hr/>
Change in Net Assets	(678,044)	(1,236,367)	(1,914,411)
Adjustments to prior year	(152,146)	152,146	-
Total Net Assets - Beginning	22,216,723	(3,525,000)	18,691,723
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Total Net Assets - Ending	\$21,386,533	\$ (4,609,221)	\$16,777,312
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The accompanying notes are an integral part of the above statements.

CRAWFORDSVILLE ELECTRIC LIGHT AND POWER

STATEMENT OF CASH FLOWS

	<u>Electric Utility</u>	<u>Telecom</u>	<u>Total</u>
Cash Flow from Operating Activities:			
Receipts from customers	\$31,989,912	\$2,301,701	\$34,291,613
Payments to suppliers and employees	(31,298,959)	(1,699,770)	(32,998,729)
	<hr/>	<hr/>	<hr/>
Net Cash from Operating Activities	690,953	601,931	1,292,884
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Cash Flow from Capital and Related Financing Activities:			
Transfers out	(425,001)	-	(425,001)
Interfund loans - proceeds and collections	195,847	(195,847)	-
Purchases and construction of capital assets	(830,686)	(161,824)	(425,001)
Miscellaneous income	21,157	-	21,157
Interest paid on capital lease	-	(547,099)	(547,099)
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Net Cash from Capital Financing Activities	(1,038,683)	(904,770)	(1,943,453)
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Cash Flow from Investing Activities:			
Interest	11,352	-	11,352
	<hr/>	<hr/>	<hr/>
Net Cash from Investing Activities	11,352	-	11,352
	<hr/>	<hr/>	<hr/>
Net Increase in Cash and Cash Equivalents	(336,378)	(302,839)	(639,217)
Balances - Beginning of the Year	3,081,261	1,384,637	4,465,898
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Balances - End of the Year	\$2,744,883	\$1,081,798	\$3,826,681
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Displayed As:			
Unrestricted cash and cash equivalents	\$1,651,224	\$121,325	\$1,772,549
Restricted cash and cash equivalents	1,093,659	960,473	2,054,132
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Total Cash and Investments	\$2,744,883	\$1,081,798	\$3,826,681
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Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	(\$285,552)	\$374,223	\$88,671
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation expense	1,313,766	137,300	1,451,066
Non-Operating Income/Expense--Transfers			
Changes In Assets and Liabilities			
Accounts receivables, net	(198,346)	(58,213)	(256,559)
Miscellaneous receivables, net	-	(140)	(140)
Prepaid and other assets	(239,432)	41,129	(198,303)
Fuel and materials inventory	57,453	(38,385)	19,068
Accounts and other payables	241,538	(7,881)	233,657
Accrued payroll and pensions	(63,569)	-	(63,569)
Taxes payable	341	-	341
Meter deposits payable	16,032	1,750	17,782
Other payables	868	-	868
Adjustments to prior year	(152,146)	152,146	-
	<hr/>	<hr/>	<hr/>
Net Cash Provided (Used) by Operating Activities	\$690,953	\$601,929	\$1,292,882
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The accompanying notes are an integral part of the above statements.

CRAWFORDSVILLE ELECTRIC LIGHT AND POWER
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Utility has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, the Utility's policy is to use restricted resources first, then unrestricted resources as they are needed.

Utility Plant and Depreciation

Capital 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.

CRAWFORDSVILLE ELECTRIC LIGHT AND POWER
NOTES TO FINANCIAL STATEMENTS
December 31, 2011
(Continued)

Capital Asset activity for the year ended December 31, 2011, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activity:				
Capital assets, not being depreciated:				
Land	\$ 373,309	\$ -	\$ -	\$ 373,309
Intangible property	183,715			183,715
Construction in progress	470,543	1,081,184	768,796	782,931
Total capital assets, not being depreciated	1,027,567	1,081,184	768,796	1,339,955
Capital assets, being depreciated:				
Buildings	6,596,384	5,017	-	6,601,400
Machinery and equipment	62,702,672	599,200	66,095	63,235,777
Totals	69,299,055	604,216	66,095	69,837,177
Less accumulated depreciation for:				
Buildings	3,245,891	79,002	-	3,324,893
Machinery and equipment	34,447,336	1,864,155	-	36,311,491
Totals	37,693,227	1,943,157	-	39,636,384
Total capital assets, being depreciated, net	31,605,828	(1,338,941)	66,095	30,200,793
Total business-type activity capital assets, net	\$ 32,633,396	\$ (257,757)	\$ 834,891	\$ 31,540,748

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.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

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.

CRAWFORDSVILLE ELECTRIC LIGHT AND POWER
NOTES TO FINANCIAL STATEMENTS
December 31, 2011
(Continued)

Interdivisional Receivables and Payables

At December 31, 2011, Accelplus owed Electric \$3.1 million.

Income Taxes

The Utility is exempt from federal and state income taxes.

Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets balance sheet because their use is limited by applicable bond covenants.

Restricted Net Assets

The financial statements report \$1,879,323 of restricted net assets, of which \$1,879,323 is restricted by enabling legislation.

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.

Proprietary funds distinguish operating revenues from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Utility are charges to customers for sales and services. Operating expenses for the Utility include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CRAWFORDSVILLE ELECTRIC LIGHT AND POWER
NOTES TO FINANCIAL STATEMENTS
December 31, 2011
(Continued)

2. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The Utility does not have a deposit policy for custodial credit risk. At December 31, 2011, the Utility had deposit balances in the amount of \$2,848,615. Of this amount, \$1,716,221 was exposed to custodial credit risk. The unit's exposure to custodial credit risk is due to the balances being uncollateralized.

The remaining bank balances were insured by the Federal Deposit Insurance Corporation of the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

3. Cash, Cash Equivalents and Investments

Cash deposits and investments are governed by Indiana State Statutes. At December 31, 2011, 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.

	2011	
	Cost	Estimated Fair Value
Cash and Cash Equivalents:		
Unrestricted - General Fund	\$ 1,772,549	\$ 1,772,549
Restricted:		
Depreciation Fund	902,583	902,583
HSA Deposit Fund	27,000	27,000
Meter Deposit	173,786	173,786
Flex Benefits	4,640	4,640
Debt Service Reserve - Accelplus	946,123	946,123
Total Restricted	2,054,132	2,054,132
Total Cash and Cash Equivalents	\$ 3,826,681	\$ 3,826,681

4. 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.

CRAWFORDSVILLE ELECTRIC LIGHT AND POWER
NOTES TO FINANCIAL STATEMENTS
December 31, 2011
(Continued)

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 was due on January 1, 2011, but has not been made to date. Net rental payments made by Accelplus were \$104,462 in 2011. Accelplus makes monthly rental payments to a trustee for the Accelplus Building Corporation. Interest expense represents the interest portion of rental payments that should have been made. The actual payments made in 2011 were less than the required payment amounts.

Remaining payments on the lease are as follows:

Year Ended December 31.	Minimum Lease Payments			
	Interest	Principal	Executory	Total
2011	\$ 481,910	\$ 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	<u>7,434,775</u>	<u>14,355,000</u>	<u>71,225</u>	<u>21,861,000</u>
	<u>\$ 11,574,380</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.

5. 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 \$200,000 in 2011. IMPA utilizes economic dispatch and only calls for Electric to generate when economical. During 2011, Electric was not called upon by IMPA to generate. Electric's contract for capacity payments ended on May 31, 2011 and was not renewed. The amount Electric generates has impact on operating income as reimbursements are reconciled through the Energy Cost Adjustment mechanism described more fully in Note 7.

CRAWFORDSVILLE ELECTRIC LIGHT AND POWER
NOTES TO FINANCIAL STATEMENTS
December 31, 2011
(Continued)

6. Rate Increase

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 which was approved shortly thereafter by the Indiana Utility Regulatory Commission. The settlement provided for an increase in retail revenues of approximately \$1.7 million annually, representing a 5.99% increase. The approved rates were put in place for the October 2010 billing cycle.

7. 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.

8. Construction Work in Progress

The Construction Work in Progress balance at December 31, 2011 totaled \$782,931. 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. Once the projects are transferred to Utility Plant in Service accounts, depreciation expense will begin on the assets.

9. Pensions

The utility contributes to the Public 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.

The utility's pension plan is included with the City of Crawfordsville's PERF plan. The utility remits its share of PERF contributions to the City who forwards it to the administrative agent.

CRAWFORDSVILLE ELECTRIC LIGHT AND POWER
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2011
 (Continued)

10. 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 \$44,000 in 2011. The reserve for uncollectible accounts was \$117,778 at December 31, 2011.

11. 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 natural 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.

12. 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.

13. Postemployment Benefits

In addition 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%

CRAWFORDSVILLE ELECTRIC LIGHT AND POWER
NOTES TO FINANCIAL STATEMENTS
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(Continued)

During 2010, one retiree met the eligibility requirements for postemployment health insurance, which brings the total to three employees. 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.

14. Compensated Absences

CEL&P requires all vacation to be used in the year earned. Upon retirement, an employee is eligible to receive \$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.

15. Subsequent Events

In May of 2011, the capacity purchase agreement with IMPA ended and CEL&P has a tentative agreement with Crawfordsville Energy, LLC for the sale of Power Plant.

\$16,660,000 in Communication Lease Revenue Certificates of Participation, Series 2006, were issued to finance the development, acquisition, construction and installation of a fiber-to-the-user broadband communications network. Although CEL&P has not made the scheduled payments of the debt service schedule contained in the lease documents, the obligation of CEL&P to pay the lease scheduled payments is limited to money derived from the net revenues of the project, after payment of the operational and maintenance costs of the going concern. CEL&P has paid to the Trustee all of the net revenue of the project, after payment of the operational and maintenance costs.

15. Segment Information

The telecom division issued certificates of participation to finance the development, acquisition, construction and installation of a fiber-to-the user broadband communications network. Investors in the certificates of participation rely solely on the revenue generated by the individual activities for repayment. Summary financial information for the telecom division is presented below.

CRAWFORDSVILLE ELECTRIC LIGHT AND POWER
NOTES TO FINANCIAL STATEMENTS
December 31, 2011
(Continued)

Segment Information
January 1, 2011 to December 31, 2011

Condensed Statement of Net Assets

Assets:		
	Current assets	\$ 662,088
	Restricted assets	960,473
	Other assets	(3,072,751)
	Capital assets	<u>14,492,443</u>
Total assets		<u>\$ 13,042,253</u>
Liabilities:		
	Current liabilities	\$ 991,474
	Noncurrent liabilities	<u>16,660,000</u>
Total liabilities		<u>\$ 17,651,474</u>
Net assets:		
	Invested in capital assets, net of related debt	\$ (2,167,557)
	Restricted	946,123
	Unrestricted	<u>(3,387,787)</u>
Total net assets		<u>\$ (4,609,221)</u>

Condensed Statement of Revenues, Expenses and Changes in Net Assets

Revenue (pledged against cops)	\$ 2,357,310
Depreciation expense	(137,300)
Other operating expenses	<u>(1,845,787)</u>
Operating income	374,223
Nonoperating revenues (expenses):	
Amortization	(634,090)
Interest expense	<u>(976,500)</u>
Change in net assets	(1,236,367)
Adjustment to prior year	152,146
Beginning net assets	<u>(3,525,000)</u>
Ending net assets	<u>\$ (4,609,221)</u>

Condensed Statement of Cash Flows

Net cash provided (used) by	
Operating activities	\$ 601,931
Capital and related financing activities	<u>(904,770)</u>
Net increase (decrease)	(302,839)
Beginning cash and cash equivalents	<u>1,384,637</u>
Ending cash and cash equivalents	<u>\$ 1,081,798</u>

CRAWFORDSVILLE ELECTRIC LIGHT AND POWER
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 and Power (CEL&P) were not sufficient to make all payments required by the debt financing. Accelplus operates a telecommunications company providing fiber-optic cable television service and internet communication services to customers within the service territory of CEL&P. The trust agreement required transfers from Accelplus to US Bank, custodian of the Accelplus funds. Transfers made to US Bank in 2011 were \$180,000 compared to the required transfer amount of \$971,320 resulting in a deficiency of \$791,320.

Due to the underfunded debt service requirements in 2011 and 2012, the Utility defaulted on the \$300,000 and the \$425,000 principal amounts and the \$481,910 interest amount due July 1, 2011 and January 1, 2012, 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. Each governmental unit is also responsible for complying with trust agreements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CRAWFORDSVILLE ELECTRIC LIGHT AND POWER
EXIT CONFERENCE

The contents of this report were discussed on October 30, 2012, with Phillip R. Goode, Manager; Roger Tarter, President of Utility Board; Ronald Gable, Controller; Terri Gadd, City Clerk-Treasurer; Todd Barton, Mayor; and Christina Horan, Accountant. The official response has been made a part of this report and may be found on page 27.



**Crawfordsville Electric
Light & Power**

AccelPLUS[®]
A DIVISION OF CEL&P

October 31, 2012

State Board of Accounts
302 W Washington St, Room E418
Indianapolis IN 46204-2769

Dear Sir:

As a result of the exit conference, we would like to make the following response regarding the audit comment relating to the Crawfordsville Electric Light & Power/Accelplus 2011 Audit Report.

\$16,660,000 in Communication Lease Revenue Certificates of Participation, Series 2006, were issued to finance the development, acquisition, construction and installation of a fiber-to the-user broadband communications network. Although CEL&P has not made the scheduled payments of the debt service schedule contained in the lease documents, the obligation of CEL&P to pay the lease scheduled payments is limited to money derived from the net revenues of the project, after payment of the operational and maintenance costs of the going concern. CEL&P has paid to the Trustee all of the net revenue of the project, after payment of the operational and maintenance costs. Because of this limited obligation to make lease payments, CEL&P contends that it has not violated the terms of the Lease Revenue Certificates of Participation or the Trust Agreement.

Yours truly,

Phillip R. Goode
Manager

PRG/kc