

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

FINANCIAL STATEMENTS AUDIT REPORT OF
CRAWFORDSVILLE ELECTRIC LIGHT AND POWER
MONTGOMERY COUNTY, INDIANA
January 1, 2013 to December 31, 2013



FILED
04/16/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller of Electric Utility	Ronald L. Gable	01-01-13 to 12-31-15
Superintendent of Electric Utility	Phillip R. Goode	01-01-13 to 12-31-15
President of the Utility Service Board	Roger Tarter Don Swearingen	01-01-13 to 12-31-14 01-01-15 to 12-31-15
Clerk-Treasurer	Terri J. Gadd	01-01-12 to 12-31-15
Mayor	Todd D. Barton	01-01-12 to 12-31-15



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Crawfordsville Electric Light and Power (Utility), a department of the City of Crawfordsville, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Utility's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Crawfordsville Electric Light and Power, a department of the City of Crawfordsville, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and for the year then ended in accordance with accounting principles generally accepted in the United States of America.


Emphasis of Matter

As discussed in Note 1, the financial statements of Crawfordsville Electric Light and Power, a department of the City of Crawfordsville, are intended to present the financial position, and the changes in financial position and, where applicable, 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, 2013, the changes in its financial position, or, where applicable, its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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


Paul D. Joyce, CPA
State Examiner

February 20, 2015

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, 2013. 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 position, statements of revenues, expenses and changes in net position and statements of cash flow on a consolidated basis. The primary revenue source is from the sale of electricity to utility customers, which represented 93% of 2013 company revenues.

CONDENSED COMPARITIVE FINANCIAL DATA

Net Position	<u>2013</u>	<u>2012</u>
Current and other assets	\$10,290,955	\$7,883,857
Capital Assets	<u>29,079,853</u>	<u>30,788,918</u>
Total Assets	<u>\$39,370,808</u>	<u>\$38,672,775</u>
Capital Lease Obligations, net	\$16,660,000	\$16,660,000
Other Liabilities	<u>9,363,845</u>	<u>6,084,716</u>
Total Liabilities	<u>\$26,023,845</u>	<u>\$22,744,716</u>
Net Position:		
Net Investment in Cap Assets	\$12,419,853	\$14,128,918
Restricted for Cap Outlay/Debt Service	1,854,636	1,797,262
Unrestricted	<u>(927,526)</u>	<u>1,879</u>
Total Net Position	<u>\$13,346,963</u>	<u>\$15,928,059</u>

INCOME

Operating Revenues	\$36,442,177	\$36,145,386
Operating Expense	<u>36,266,060</u>	<u>35,077,657</u>
Operating Income (loss)	\$176,117	\$1,067,729
Non-operating expenses	<u>(2,332,212)</u>	<u>(1,491,981)</u>
Excess (Deficiency) before PILOT	(2,156,095)	(424,252)
Payment in lieu of taxes	<u>425,001</u>	<u>425,001</u>
Change in net Position	<u>(\$2,581,096)</u>	<u>(\$849,253)</u>

FINANCIAL HIGHLIGHTS

The consolidated change in net position was \$1.7 million less than the previous year due mainly to the losses suffered by CEL&P on the sale of the generating plant and by the Accelplus division. The national recession and the global economy continued to play a major role in the 2013 financial results. Unemployment showed a slight improvement to 7.5% in Montgomery County in 2013, however this slight improvement failed to produce a positive impact on electric consumption and the addition of new customers for Accelplus.

Total revenues for Electric saw a very slight increase as a higher tracker, caused by increased purchased power costs that pass through the tracker, was significantly offset by decreased consumption along with a 4.9% increase in Accelplus sales compared to prior year. Purchased power cost increased by \$1.1 million due to an increase in the tracker charge from IMPA. Steam power generation costs had a very slight decrease from 2012 due to decreased spending. In summation, the increase in revenues was mostly offset by the increase in purchased power costs while the sale of the generating plant resulted in a loss on sale of asset of \$0.9 million and resulted in a negative change in net position of \$1.2 million for the year for Electric, compared to a \$0.3 million gain in 2012.

While revenues for Accelplus grew by 4.9%, the growth in Accelplus customers fell well short of the need for 2013. 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 \$1.3 million in 2013. 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 2013, Accelplus failed to make the full monthly interest payments and the initial principal payment to U.S. Bank as scheduled in the original bond amortization, and, in doing that, has continued to face significant pressure from current Certificate of Participation holders.

SIGNIFICANT CAPITAL ASSET ADDITIONS

During 2013, neither CEL&P nor Accelplus had any significant Capital Asset addition. However, CEL&P sold the generating plant on 12/30/2013. Please review the Notes to the Financial Statements.

COMPANY DEBT

Neither CEL&P nor Accelplus issued any new debt in 2013. Please review the Notes to the Financial Statements.

SUBSEQUENT EVENTS

CEL&P reached agreement with US Bank and Metronet to sell Accelplus. The sale was complete on April 4, 2014. CEL&P has a 90 day agreement in place to assist Metronet with the transition of day-to-day operations. Upon completion of the 90 day agreement (July 4, 2014), CEL&P will begin to bill Metronet for any continuing assistance provided.

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BASIC FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

The financial statements and accompanying notes were prepared by management of the Utility. The financial statements and notes are presented as intended by the Utility.

CRAWFORDSVILLE ELECTRIC LIGHT & POWER

STATEMENT OF NET POSITION

ELECTRIC AND TELECOM DIVISIONS

	<u>As of</u> <u>12/31/2013</u>
ASSETS:	
Current Assets:	
Unrestricted cash and cash equivalents	\$4,321,158
Accounts receivable	2,120,479
Miscellaneous accounts receivable	20,373
Fuel stock	-
Plant materials and operating supplies	1,074,149
Prepaid maintenance charges	96,012
Prepaid insurance	142,937
Other prepayments	35,443
Other	<u>104,733</u>
Total Current Assets	<u>7,915,284</u>
Noncurrent Assets:	
Restricted Assets:	
Cash and cash equivalents	1,240,158
Investments	-
Debt service reserve held with trustee	841,888
Interest receivable	<u>-</u>
Total Restricted Assets	<u>2,082,046</u>
Other Assets:	
Reserve for Payments in Lieu of Taxes	<u>293,625</u>
Capital Assets:	
Electric plant, net	15,584,840
Telecom plant, net	<u>13,495,013</u>
Total Capital Assets	<u>29,079,853</u>
TOTAL ASSETS	<u><u>\$39,370,808</u></u>

The accompanying notes to the financial statements are an integral part of this statement

CRAWFORDSVILLE ELECTRIC LIGHT & POWER

STATEMENT OF NET POSITION

ELECTRIC AND TELECOM DIVISIONS

	<u>As of</u> <u>12/31/2013</u>
LIABILITIES:	
Current Liabilities:	
Accounts payable	\$4,441,152
Accrued payroll	156,569
State sales tax payable	95,656
Accrued pension	14,779
Customer payable	1,825,175
Customer deposits	227,410
Accrued interest	2,565,538
Other accrued liabilities	<u>37,566</u>
Total Current Liabilities	<u>9,363,845</u>
Long term lease payable	<u>16,660,000</u>
TOTAL LIABILITIES	<u><u>\$26,023,845</u></u>
 NET POSITION:	
Net Investment in Capital Assets	\$12,419,853
Restricted for Capital Outlay and Debt Service	1,854,636
Unrestricted	<u>(927,526)</u>
TOTAL NET POSITION	<u><u>\$13,346,963</u></u>

The accompanying notes to the financial statements are an integral part of this statement

CRAWFORDSVILLE ELECTRIC LIGHT & POWER

STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN NET POSITION

ELECTRIC AND TELECOM DIVISIONS

	<u>Calendar Year</u>
	<u>2013</u>
Operating Revenues:	
Electric operating revenues	\$33,854,115
Telecom revenues	<u>2,588,062</u>
Total Operating Revenues	<u>36,442,177</u>
Operating Expenses:	
Purchased power	26,195,136
Steam power generation	828,932
Transmission and distribution	1,463,979
Telecom operating and marketing expense	1,704,782
Customer accounts expense	745,717
Administrative and general	3,089,949
US Bank legal fees	-
Taxes	<u>785,495</u>
Sub-Totals	34,813,990
Depreciation expense	<u>1,452,070</u>
Total Operating Expenses	<u>36,266,060</u>
Operating Income (Loss)	<u>176,117</u>
Nonoperating Revenue and Expense:	
Interest income	8,231
Miscellaneous income	8,759
Amortization expense	(634,092)
Revenue from contract work	218,293
Cost of contract work	(67,324)
Gain/Loss on disposal assets	(930,439)
Miscellaneous income deductions	(640)
Interest on long-term capital lease	<u>(935,000)</u>
Total Nonoperating Revenue and Expense	(2,332,212)
Net Income before Capital Contributions and Transfers	<u>(2,156,095)</u>
Payment in lieu of taxes	<u>(425,001)</u>
Change in Net Position	(2,581,096)
Total Net Position - Beginning	<u>15,928,059</u>
Total Net Position - Ending	<u><u>\$13,346,963</u></u>

The accompanying notes to the financial statements are an integral part of this statement

CRAWFORDSVILLE ELECTRIC LIGHT & POWER

STATEMENT OF CASH FLOWS

ELECTRIC AND TELECOM DIVISIONS

	<u>Calendar Year</u>
	<u>2013</u>
Cash Flow from Operating Activities:	
Receipts from customers	\$36,526,891
Payments to suppliers and employees	<u>(31,876,911)</u>
Net Cash Provided by Operating Activities	<u>4,649,980</u>
Cash Flow from Capital and Related Financing Activities:	
Transfers out	(425,001)
Reimbursements from related party (Building Corporation)	-
Purchases and construction of capital assets	(377,097)
Miscellaneous income	(771,351)
Interest paid on capital lease	<u>(80,000)</u>
Net Cash Used by Capital Financing Activities	<u>(1,653,449)</u>
Cash Flow from Investing Activities:	
Interest	<u>8,231</u>
Net Cash Provided by Investing Activities	<u>8,231</u>
Net increase (decrease) in cash and cash equivalents	3,004,762
Balances - Beginning of the Year	<u>3,398,442</u>
Balances - End of the Year	<u><u>\$6,403,204</u></u>
Displayed As:	
Unrestricted cash and cash equivalents	\$4,321,158
Investments	-
Restricted cash and investments	<u>2,082,046</u>
Total Cash and Investments	<u><u>\$6,403,204</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$176,117
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) By Operating Activities:	
Depreciation expense	1,452,070
Changes in Assets and Liabilities	
Receivables, net	266,292
Miscellaneous receivables, net	1,047
Prepaid and other assets	152,145
Fuel and materials and supplies	178,180
Accounts and other payables	2,424,129
Prior period adjustment	<u>-</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$4,649,980</u></u>

The accompanying notes to the financial statements are an integral part of this statement

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

December 31, 2013

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. 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 position, changes in net position 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.

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.

Capital Asset activity for the year ended December 31, 2013 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	286,031	516,491	720,653	81,868
Total capital assets, not being depreciated	843,055	516,491	720,653	638,892
Capital assets, being depreciated:				
Buildings	6,601,400	52,549	2,786,685	3,867,264
Machinery and equipment	64,425,574	552,224	10,737,734	54,240,065
Totals	71,026,975	604,773	13,524,420	58,107,328
Less accumulated depreciation for:				
Buildings	3,409,514	75,301	2,414,570	1,070,244
Machinery and equipment	37,671,598	1,378,769	10,452,244	28,596,124
Totals	41,081,112	1,452,070	12,866,814	29,666,368
Total capital assets, being depreciated, net	29,945,863	(847,297)	657,606	28,440,960
Total business-type activity capital assets, net	\$ 30,788,918	\$ (330,806)	\$ 1,378,259	\$ 29,079,853

Inventories

The Utility's inventory is comprised of 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.

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, 2013, Accelplus owed Electric \$3.1 million.

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

December 31, 2013

1. Organization and Significant Accounting Policies - Continued

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 position because their use is limited by applicable bond covenants.

Restricted Net Position

The financial statements report \$1,854,636 of restricted net position, of which \$1,854,636 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.

2. Deposits and Investments

1. 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, 2013 the Utility had deposit balances in the amount of \$5,561,316.

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.

2. Investments

As of 12/31/2013, the utility has deposits in a money market account at Tri County Bank and Trust.

3. Cash, Cash Equivalents and Investments

Cash deposits and investments are governed by Indiana State Statutes. At December 31, 2013, cash and cash equivalents include money market deposits. The carrying amount of cash, cash equivalents and demand deposits approximates fair value due to the short maturity of the deposits.

	2013	
	Cost	Estimated Fair Value
<u>Cash and Cash Equivalents:</u>		
Unrestricted - General Fund	\$4,321,158	\$4,321,158
Restricted		
Depreciation Fund	1,012,588	1,012,588
HSA Deposit Fund	100	100
Meter Deposit	227,470	227,470
Flex Benefits	-	-
Debt Service Reserve - Accelplus	841,888	841,888
Total Restricted	<u>2,082,046</u>	<u>2,082,046</u>
Total Cash and Cash Equivalents	<u>6,403,204</u>	<u>6,403,204</u>

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

December 31, 2013

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.

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 \$90,000 in 2013. 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 2013 were less than the required payment amounts. 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	481,910	300,000	5,180	787,090
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	842,125	590,000	5,375	1,437,500
2017	807,000	630,000	5,500	1,442,500
2018-2029	5,785,650	13,135,000	60,350	18,981,000
	<u>\$11,574,380</u>	<u>\$16,660,000</u>	<u>\$99,210</u>	<u>28,333,590</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. IMPA utilizes economic dispatch and only calls for Electric to generate when economical. During 2013, Electric was not called upon by IMPA to generate. 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. Electric sold entire interest in 24 MW generating capacity on 12/30/2013.

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.

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

December 31, 2013

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, 2013 totaled \$81,868. Projects include both projects constructed with Electric personnel and outside contractors. All costs are accumulated until the projects are completed and transferred to capital assets. Once the projects are transferred to Utility Plant in Service accounts, depreciation expense will begin on the assets.

9. Pensions

The utility, through the city, 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, because it cannot be sparated from the city.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Indiana Public Retirement System
1 North Capital Street, Room 001
Indianapolis, IN 46204
Ph: (888) 526-1687

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 \$154,000 in 2013. The reserve for uncollectible accounts was \$142,104 at December 31, 2013.

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 (See Note 12) 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.

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

December 31, 2013

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. Post Employment 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 60	Age 61	Age 62-65
Utility Pays	25%	50%	100%

During 2013, one retiree completed eligibility for postemployment health insurance, which reduces the total to one employee. 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 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.

15. Subsequent Events

ACCELPLUS: In November 2013, the holders of the Certificates of Participation (investores), Accelplus ("AP"), CEL&P, the City of Crawfordsville, and the ACCELPLUS Building Corporation reached a verbal agreement which would resolve the pending dispute. Under the terms of this agreement, the assets of AP will be sold to Metronet for the sum of \$5.2 Million. The City will provide Metronet with certain economic development incentives. All of the purchase price will be paid by AP to U.S. Bank for the certificate holders. CEL&P paid \$400,000 in order to obtain a release of liability. AP and the City will also be released from any liability. The terms of this agreement were finalized and the sale of ACCELPLUS to Metronet was completed on April 4, 2014. Included in the final agreement is a 90 day transition period during which CEL&P has agreed to provide assistance to Metronet at no additional cost.

OTHER REPORT

In addition to this report, a Supplemental Compliance Report has been issued for the City of Crawfordsville which the Utility is a department. That report can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.