



STATE OF INDIANA
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March 6, 2017

City Common Council
City of Greenfield, Power and Light Utility
10 South State Street
Greenfield, IN 46140

We have reviewed the audit report prepared by Crowe Horwath, LLP, Independent Public Accountants, for the period January 1, 2014 to December 31, 2014. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Auditor's Report, the financial statements included in the report present fairly the financial condition of the City of Greenfield Power and Light Utility, as of December 31, 2014 and the results of its operations for the period then ended, on the basis of accounting described in the report.

The audit report is filed with this letter in our office as a matter of public record.

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

**GREENFIELD POWER & LIGHT
A DEPARTMENT OF THE CITY OF GREENFIELD
HANCOCK COUNTY, INDIANA**

FINANCIAL STATEMENTS

December 31, 2014

GREENFIELD POWER & LIGHT
A DEPARTMENT OF THE CITY OF GREENFIELD
HANCOCK COUNTY, INDIANA

FINANCIAL STATEMENTS
December 31, 2014

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GREENFIELD POWER & LIGHT
A DEPARTMENT OF THE CITY OF GREENFIELD
HANCOCK COUNTY, INDIANA
SCHEDULE OF OFFICIALS
December 31, 2014

<u>Office</u>	<u>Official</u>	<u>Term during year</u>
Mayor	Chuck Fewell	01-01-14 to 12-31-14
Clerk Treasurer	Larry J. Breese	01-01-14 to 12-31-14
Chairman of the Board of Public Works	Chuck Fewell	01-01-14 to 12-31-14
President Pro Tempore of the Common Council	Kerry T. Grass	01-01-14 to 12-31-14

INDEPENDENT AUDITOR'S REPORT

The Officials of
Greenfield Power & Light
Hancock County, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Greenfield Power and Light (Utility), a department of the City of Greenfield, as of and for the year ended December 31, 2014, 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.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Utility as of December 31, 2014, and the changes in financial position and 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 the Department of the City of Greenfield, Indiana 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 Department. They do not purport to, and do not, present fairly the financial position of the City of Greenfield, Indiana as of December 31, 2014, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. The City's financial statements are separately prepared and presented on a regulatory basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Utility's basic financial statements. The nonaccounting information shown on page 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The nonaccounting information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government 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. Our opinion on the basic financial statements is not affected by this missing information.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
February 14, 2017

GREENFIELD POWER & LIGHT
A DEPARTMENT OF THE CITY OF GREENFIELD
HANCOCK COUNTY, INDIANA
STATEMENT OF NET POSITION
December 31, 2014

ASSETS

Current assets

Cash and cash equivalents – unrestricted	
Operating fund	\$ 4,845,542
Designated:	
Cash reserve fund	803,357
Availability fund	<u>73,711</u>
Total cash and cash equivalents – unrestricted	5,722,610
Cash and cash equivalents – restricted:	
Customer deposits fund	212,139
Investments - operating fund	2,853,838
Accounts receivable (net of allowance)	1,673,822
Loan receivable	516,930
Inventories	<u>820,700</u>
Total current assets	<u>11,800,039</u>

Non-current assets

Cash and cash equivalents – designated	
Depreciation fund	731,541
Loan receivable	1,359,584
Capital assets:	
Capital assets, not being depreciated	197,605
Capital assets, being depreciated	26,546,266
Accumulated depreciation	<u>(9,249,056)</u>
Total capital assets	<u>17,494,815</u>
Total noncurrent assets	<u>19,585,940</u>
Total assets	<u>\$ 31,385,979</u>

LIABILITIES

Current liabilities:

Accounts payable – purchased power	\$ 4,136,242
Other accounts payable and accrued expenses	97,692
Taxes payable	90,744
Customer deposits	<u>211,620</u>
Total current liabilities	4,536,298

NET POSITION

Net investment in capital assets	17,494,815
Unrestricted	<u>9,354,866</u>
Total net position	<u>26,849,681</u>
Total liabilities and net position	<u>\$ 31,385,979</u>

See accompanying notes to financial statements.

GREENFIELD POWER & LIGHT
A DEPARTMENT OF THE CITY OF GREENFIELD
HANCOCK COUNTY, INDIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year ended December 31, 2014

Operating revenues:	
Residential sales	\$ 9,138,341
Commercial sales	21,450,322
Municipal sales	642,230
Penalties	113,105
Other	<u>73,360</u>
Total operating revenues	31,417,358
 Operating expenses:	
Power production	26,317,836
Distribution	1,789,635
Customer accounts	632,177
Administration and general	<u>1,171,930</u>
Subtotal	29,911,578
Depreciation	<u>881,617</u>
Total operating expenses	<u>30,793,195</u>
Operating income	624,163
 Nonoperating revenues (expenses):	
Interest income from investments and loan	43,230
Loss on disposal of assets	<u>(117,210)</u>
Total nonoperating revenues (expenses)	<u>(73,980)</u>
Income before capital contributions	550,183
Capital contributions	<u>73,044</u>
Change in net position	623,227
Net position – beginning of year	<u>26,226,454</u>
Net position – end of year	<u>\$ 26,849,681</u>

See accompanying notes to financial statements.

GREENFIELD POWER & LIGHT
A DEPARTMENT OF THE CITY OF GREENFIELD
HANCOCK COUNTY, INDIANA
STATEMENT OF CASH FLOW
Year ended December 31, 2014

Cash flows from operating activities:	
Receipts from customers	\$ 31,509,506
Payments to suppliers and others	(27,865,431)
Payments to employees for services and benefits	<u>(1,702,804)</u>
Net cash provided by operating activities	1,941,271
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(926,912)
Capital contributions	<u>73,044</u>
Net cash used by capital and related financing activities	(853,868)
Cash flows from investing activities:	
Principal payments received on loan receivable	511,783
Maturities of investments	1,180,000
Purchases of investments	(1,833,338)
Interest received on loans and investments	<u>43,230</u>
Net cash used by investing activities	<u>(98,325)</u>
Net increase in cash and cash equivalents	989,078
Cash and cash equivalents, January 1	<u>5,677,212</u>
Cash and cash equivalents, December 31	<u>\$ 6,666,290</u>
Identification of cash and cash equivalents on statement of net position:	
Current assets – undesignated	\$ 4,845,542
Current assets – designated	877,069
Current assets - restricted	212,139
Non-current assets - designated	<u>731,541</u>
Total cash and cash equivalents, December 31	<u>\$ 6,666,290</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 624,163
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	881,617
(Increase) decrease in assets:	
Accounts receivable	187,513
Inventories	(91,214)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	310,133
Customer deposits	18,650
Taxes payable	(77,741)
Other	<u>88,150</u>
Total adjustments	<u>1,317,108</u>
Net cash provided by operating activities	<u>\$ 1,941,271</u>

See accompanying notes to financial statements.

GREENFIELD POWER & LIGHT
A DEPARTMENT OF THE CITY OF GREENFIELD
HANCOCK COUNTY, INDIANA
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The financial statements reflect only the activity of the Greenfield Power and Light ("Utility") and are not intended to present fairly the position of the City of Greenfield ("City"), and the results of its operations and cash flows of its enterprise funds. The Utility, whose operations are controlled by the City, represents a portion of the City's enterprise funds.

The financial statements of the City are reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

Fund Financial Statements: Business-type activity financial statements consist of the Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. Business-type activities rely to a significant extent on fees and charges for support.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation: The accounts of the business-type activity are maintained and the financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

Use of Estimates in Preparation of Financial Statements: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflow of resources at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents: Cash equivalents consist of short-term, liquid investments which are readily convertible into cash or which have an original maturity of three months or less.

Designated Cash and Cash Equivalents: Certain resources are set aside for a cash reserve fund, depreciation fund, and availability fund.

Inventories: All inventories are valued at cost using the first in/first out (FIFO) method.

(Continued)

GREENFIELD POWER & LIGHT
A DEPARTMENT OF THE CITY OF GREENFIELD
HANCOCK COUNTY, INDIANA
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Uncollectible Accounts on Accounts Receivable: The allowance for uncollectible accounts is determined by management based upon historical losses, specific circumstances and general economic conditions. Periodically, management reviews accounts receivable and records an allowance based on current circumstances, and charges off the receivable against the allowance when all attempts to collect the receivable are deemed to have failed in accordance with the collection policy. The Utility's policy is to write off customer accounts when any 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.

The allowance for uncollectible accounts was \$627,950 at December 31, 2014. Bad debt expense was \$95,365 for the year ended December 31, 2014.

Capital Assets: Capital assets are stated at cost or fair market value at date of gift, if donated. The Utility capitalizes additions and improvements that have a useful life beyond one year. Depreciation is charged as an operating expense using the straight-line method over the estimated useful lives of the respective assets. Estimated useful lives used in computing depreciation on capital assets as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$0	Straight-line	67 years
Improvements other than buildings	\$0	Straight-line	22-40 years
Machinery and equipment	\$0	Straight-line	7-28 years
Transportation equipment	\$0	Straight-line	10 years

For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Net Position: Net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the statements of net position. Net position is reported as restricted when there are legal limitations imposed on their use by laws or regulations of other governments or external restrictions by creditors or grantors. Net investment in capital assets consists of capital assets, net of accumulated depreciation, less outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted Asset Spending Policy: Restricted assets are released from restriction by incurring expenses satisfying the restricted purpose or by occurrence of other events. When expenditures are incurred for which both restricted and unrestricted resources are available, it is the policy to apply restricted resources first, then unrestricted resources as needed.

Revenue Recognition: The Utility records revenue as billed to its customers and does not recognize any unbilled revenues that occur between meter readings. This accounting for revenue follows the rate making process of the Indiana Utility Regulatory Commission.

Rate Structure: The current rate structure was approved by the City Council of the City of Greenfield.

(Continued)

GREENFIELD POWER & LIGHT
A DEPARTMENT OF THE CITY OF GREENFIELD
HANCOCK COUNTY, INDIANA
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the Utility 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.

Contract: The Utility has a long-term power supply contract with the Indiana Municipal Power Agency (“IMPA”) that runs through 2042. Under the contract, IMPA is required to supply, and the Utility is required to purchase from IMPA all of its energy requirements.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to December 31, 2014, to determine the need for any adjustments or disclosures to the financial statements for the year ended December 31, 2014. Management has performed their analysis through February 14, 2017, the date the financial statements were available to be issued.

NOTE 2 – DEPOSITS AND INVESTMENTS

Credit Risk and Custodial Credit Risk: 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.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories. The Utility has an institutional money market deposit accounts valued at \$270,196 included with cash and cash equivalents.

	<u>Book Value</u>	<u>Bank Balance</u>
Cash and cash equivalents	\$ 6,666,290	\$ 6,523,308

Investments: Per the adopted policy, the Utility may invest public funds in certificates of deposit that have been designated by the state board of finance as a depository for state deposits with a maturity of more than two year but not more than five years in accordance with Indiana Code 5-13.

<u>Investment Type</u>	<u>Cost</u>	<u>Fair Value</u>	<u>-----Maturities (in Years)-----</u>	
			<u>Less than 1</u>	<u>1 - 2</u>
Certificates of Deposit - negotiable	\$ 2,850,500	\$ 2,853,838	\$ 921,578	\$ 1,932,260

(Continued)

GREENFIELD POWER & LIGHT
A DEPARTMENT OF THE CITY OF GREENFIELD
HANCOCK COUNTY, INDIANA
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 3 – LOAN RECEIVABLE

In 2013, the Utility issued a note to the Greenfield Sewage Works Bond Sinking Fund from the cash reserve fund in the original amount of \$2,600,000 with a term of five years and bearing interest at 1% per annum with monthly installment payments of \$44,444.

Future payment requirements are as follows at December 31, 2014:

<u>Year Ending</u>		
2015		\$ 533,328
2016		533,328
2017		533,328
2018		<u>311,133</u>
		1,911,117
Amount representing interest		<u>(34,603)</u>
		<u>\$ 1,876,514</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	\$ 196,605	\$ 1,000	\$ -	\$ 197,605
Total capital assets not being depreciated	<u>196,605</u>	<u>1,000</u>	<u>-</u>	<u>197,605</u>
Capital assets, being depreciated				
Buildings	1,860,059	-	-	1,860,059
Improvements other than buildings	16,145,190	577,466	76,128	16,646,528
Machinery and equipment	6,489,854	164,600	163,516	6,490,938
Transportation equipment	<u>1,510,435</u>	<u>183,846</u>	<u>145,540</u>	<u>1,548,741</u>
Total	<u>26,005,538</u>	<u>925,912</u>	<u>385,184</u>	<u>26,546,266</u>
Less accumulated depreciation for:				
Buildings	(295,005)	(27,762)	-	(322,767)
Improvements other than buildings	(4,556,558)	(531,500)	16,907	(5,071,151)
Machinery and equipment	(3,149,085)	(238,082)	149,277	(3,237,890)
Transportation equipment	<u>(634,765)</u>	<u>(84,273)</u>	<u>101,790</u>	<u>(617,248)</u>
Total	<u>(8,635,413)</u>	<u>(881,617)</u>	<u>267,974</u>	<u>(9,249,056)</u>
Total capital assets, being depreciated, net	<u>17,370,125</u>	<u>44,295</u>	<u>117,210</u>	<u>17,297,210</u>
Total capital assets, net	<u>\$ 17,566,730</u>	<u>\$ 45,295</u>	<u>\$ 117,210</u>	<u>\$ 17,494,815</u>

(Continued)

GREENFIELD POWER & LIGHT
A DEPARTMENT OF THE CITY OF GREENFIELD
HANCOCK COUNTY, INDIANA
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 5 – 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; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

NOTE 6 – PENSION PLAN - PUBLIC EMPLOYEE'S RETIREMENT FUND (PERF)

Plan Description: The Utility is reported under the submission unit of the City of Greenfield which contributes to the Public Employees Retirement Fund (PERF) on behalf of the Utility. The Utility's proportionate share of the City's PERF contributions was approximately 21% and was based on the Utility's wages as a proportion of total City wages. As of July 1, 2013 and as part of the implementation of GASB Statement No. 67, PERF changed from an agent to a cost-sharing multiple-employer defined benefit pension plan. PERF funds are managed by Indiana Public Retirement System (INPRS). PERF provides retirement, disability and survivor benefits to plan members and beneficiaries. INPRS issues a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for PERF. That report can be obtained from the INPRS website at <http://www.inprs.in.gov>.

All full-time employees are eligible to participate in this defined benefit plan. State statutes (Indiana Code 5-10.2, 5-10.3 and 5-10.5) give the Utility the right to contribute and govern most requirements of the system, including the benefits, which vest after 10 years of service.

Funding Policy: Eligible employees are required to contribute 3% of their annual compensation to an annuity savings account. Effective July 1, 1986, legislation permits a PERF employer to make the employee contributions on behalf of the employee. The Utility elected to make, on behalf of covered employees, the employees' contribution that may be financed by the employer. 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 elect a lump sum distribution of all or part of the annuity savings account. Employees who leave employment before qualifying for benefits receive a refund of this savings account.

PERF's funding policy provides for actuarially determined periodic contributions rates for individual employers. The entry age normal cost method is used to determine the contribution requirements. For fiscal year 2014, the Utility contributed at 10.5% of its annual covered payroll through the City of Greenfield. The Utility's contributions to the City for PERF for the year ending December 31, 2014 were \$121,999, which are in alignment with the required contributions for the year.