

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

ANNUAL FINANCIAL REPORT

2011

CITY OF LAFAYETTE

TIPPECANOE COUNTY, INDIANA



FILED
09/24/2012

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	J. Michael Jones	01-01-11 to 12-31-12
Mayor	Tony Roswarski	01-01-08 to 12-31-15
President of the Board of Public Works and Safety	Gary Henriott	01-01-11 to 12-31-12
President of the Common Council	Ronald Campbell Steve Meyer	01-01-11 to 12-31-11 01-01-12 to 12-31-12



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 ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE CITY OF LAFAYETTE, TIPPECANOE COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lafayette (City), as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City'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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 City'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 opinions.

The City provides postemployment benefits to retired employees by allowing them to remain on the City's health insurance plan. The City has not implemented the requirements of GASB 45 in providing actuarially sound information related to the computation or inclusion of any liability associated with the benefits.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding the liabilities related to postemployment benefits, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 14, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Accounting principles generally accepted in the United States of America require that the Schedules of Funding Progress, Schedules of Contribution from the Employer and Other Contributing Entities, and Budgetary Comparison Schedules, 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.

Management has omitted the Management Discussion and Analysis that Government Accounting Standards Board requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

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

STATE BOARD OF ACCOUNTS

August 14, 2012



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE CITY OF LAFAYETTE, TIPPECANOE COUNTY, INDIANA

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lafayette (City), as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 14, 2012. The opinions to the financial statements were qualified due the lack of actuarial information regarding the postemployment benefits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be or material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1.

The City's response to the findings identified in our audit is described in the accompanying section of the report entitled Official Response and Corrective Action Plan. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management, City Council, Board of Public Works and Safety, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 14, 2012

City of Lafayette
Statement of Net Assets
December 31, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 19,049,749	\$ 25,256,441	\$ 44,306,190
Cash with fiscal agent	1,079,782	-	1,079,782
Receivable (net of allowance for uncollectibles)			
Loans	668,483	2,689,999	3,358,482
Taxes	7,772,990	-	7,772,990
Accounts	187,853	2,871,380	3,059,233
Intergovernmental	2,571,967	-	2,571,967
Internal balances	(1,946,338)	1,946,338	-
Inventories	371,436	1,040,794	1,412,230
Prepaid expense	818,640	200,730	1,019,370
Deferred debits	1,332,367	1,870,964	3,203,331
Capital assets:			
Land, improvements and construction in progress	31,153,511	7,392,304	38,545,815
Other capital assets, net of depreciation	162,425,594	201,502,114	363,927,708
Restricted assets:			
Cash and cash equivalents	199,807	4,315,441	4,515,248
Total Assets	225,685,841	249,086,505	474,772,346
LIABILITIES:			
Accounts payable	1,547,330	506,999	2,054,329
Accrued payroll and withholdings payable	455,914	107,599	563,513
Intergovernmental payable	189,806	2,814	192,620
Taxes payable	-	28,444	28,444
Accrued interest payable	857,551	2,073,533	2,931,084
Deposit for extension refund contracts	-	6,650	6,650
Deferred revenue	13,162	-	13,162
Performance deposits payable	572,816	3,849	576,665
Payable from restricted assets:			
Customer deposits	38,954	122,631	161,585
Bonds, notes and capital leases			
Due within one year			
General obligation bonds payable	795,000	-	795,000
Revenue bonds payable	4,660,000	2,335,000	6,995,000
Notes and loans payable	153,200	3,515,000	3,668,200
Capital Lease obligations	428,529	-	428,529
Due in more than one year			
General obligation bonds payable	5,575,000	-	5,575,000
Revenue bonds payable	39,972,535	53,718,130	93,690,665
Notes and loans payable	65,114	48,362,080	48,427,194
Capital Lease obligations	796,274	-	796,274
Net Pension Obligation	23,230,075	69,528	23,299,603
Total Liabilities	79,351,260	110,852,257	190,203,517
NET ASSETS:			
Invested in capital assets, net of related debt	141,133,453	100,964,208	242,097,661
Restricted	199,807	4,315,441	4,515,248
Unrestricted:	5,001,321	32,954,599	37,955,920
Total Net Assets	\$ 146,334,581	\$ 138,234,248	\$ 284,568,829

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

City of Lafayette
Statement of Activities
For the Year Ended December 31, 2011

Functions/Programs	Net (Expenses) Revenues and Changes in Net Assets						
	Program Revenues				Primary Government		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Primary government							
Governmental activities							
General Government	\$ 5,128,906	\$ 447,609	\$ 73,040	\$ -	\$ (4,608,257)	\$ -	\$ (4,608,257)
Public Safety	24,203,644	120,666	996,500	-	(23,086,478)	-	(23,086,478)
Highways and Streets	7,902,828	2,205,417	-	1,780,133	(3,917,278)	-	(3,917,278)
Sanitation	1,879,156	-	-	-	(1,879,156)	-	(1,879,156)
Culture and Recreation	5,669,544	1,166,699	15,196	24,000	(4,463,649)	-	(4,463,649)
Economic Development	19,221,279	9,413	7,830,721	522,740	(10,858,405)	-	(10,858,405)
Total governmental activities	<u>64,005,357</u>	<u>3,949,804</u>	<u>8,915,457</u>	<u>2,326,873</u>	<u>(48,813,223)</u>	<u>-</u>	<u>(48,813,223)</u>
Business-type activities							
Water Utility	6,900,252	7,675,608	-	-	-	775,356	775,356
Wastewater Utility	19,931,509	25,493,837	-	-	-	5,562,328	5,562,328
Parking Garage	156,726	108,884	-	-	-	(47,842)	(47,842)
Section 108	75,965	53,635	-	-	-	(22,330)	(22,330)
Total business-type activities	<u>27,064,452</u>	<u>33,331,964</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,267,512</u>	<u>6,267,512</u>
Total primary government	<u>\$ 91,069,809</u>	<u>\$ 37,281,768</u>	<u>\$ 8,915,457</u>	<u>\$ 2,326,873</u>	<u>\$ (48,813,223)</u>	<u>\$ 6,267,512</u>	<u>\$ (42,545,711)</u>
General Revenues:							
Property taxes					33,431,234	-	33,431,234
Intergovernmental Revenues					12,092,519	-	12,092,519
Gain (loss) on sale of assets					1,283	1,066	2,349
Other revenues					4,800,526	419	4,800,945
Unrestricted investment earnings					45,980	87,536	133,516
Contributed Capital					-	1,690,520	1,690,520
Transfers					(691,003)	691,003	-
Total general revenues and separate line items					<u>49,680,539</u>	<u>2,470,544</u>	<u>52,151,083</u>
Changes in net assets					867,316	8,738,056	9,605,372
Net assets - beginning					<u>145,467,265</u>	<u>129,496,192</u>	<u>274,963,457</u>
Net assets - ending					<u>\$ 146,334,581</u>	<u>\$ 138,234,248</u>	<u>\$ 284,568,829</u>

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

City of Lafayette
Balance Sheet
December 31, 2011
Governmental Funds

	General	Motor Vehicle	Parks and Recreation	Redevelopment Authority	EDIT	TIF Alloc Creasy Cnsldatd	Other	Total
ASSETS								
Cash and cash equivalents	\$ 118,708	\$ 1,296,942	\$ 722,274	\$ 4,285,218	\$ 1,155,601	\$ 1,843,301	\$ 9,264,180	\$ 18,686,224
Cash with Fiscal Agents	-	-	-	-	-	-	1,079,782	1,079,782
Receivables (Net of allowance for uncollectibles)								
Taxes	2,013,985	195,573	439,434	-	-	2,955,226	2,168,774	7,772,992
Intergovernmental	1,396,336	394,466	38,856	-	712,563	-	29,746	2,571,967
Loans	-	-	-	-	-	347,355	321,128	668,483
Accounts	9,553	2,746	16	-	-	25,500	150,036	187,851
Interfund services provided and used	2,818	210	1,652	-	-	-	-	4,680
Restricted Cash	-	-	10,000	-	-	-	189,806	199,806
Total Assets	\$ 3,541,400	\$ 1,889,937	\$ 1,212,232	\$ 4,285,218	\$ 1,868,164	\$ 5,171,382	\$ 13,203,452	\$ 31,171,785
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts Payable	\$ 180,156	\$ 36,924	\$ 51,690	\$ -	\$ 182,795	\$ 400,951	\$ 550,341	\$ 1,402,857
Accrued payroll and withholding payable	366,173	45,833	32,641	-	-	-	11,267	455,914
Intergovernmental payable	-	-	-	-	-	-	189,806	189,806
Accrued interest payable	-	-	132,860	572,758	17,160	74,809	59,965	857,552
Deferred revenue	-	-	13,162	-	-	-	-	13,162
Deferred revenue - unavailable	1,224,981	118,557	266,388	-	668,725	175,438	188,130	2,642,219
Performance deposits available	-	-	-	-	-	-	572,816	572,816
Performance deposits available	24,660	-	14,294	-	-	-	-	38,954
Interfund Payable	2,000,000	-	-	-	-	-	-	2,000,000
Interfund services provided and used	255,900	87,906	15,543	-	455	-	761	360,565
Total Liabilities	4,051,870	289,220	526,578	572,758	869,135	651,198	1,573,086	8,533,845
Fund Balances								
Restricted	-	1,600,717	685,654	3,712,460	-	-	7,980,254	
Committed	-	-	-	-	-	4,520,184	551,112	
Assigned	-	-	-	-	-	-	463,444	
Unassigned	(510,470)	-	-	-	999,029	-	2,635,556	
Total Fund Balances	(510,470)	1,600,717	685,654	3,712,460	999,029	4,520,184	11,630,366	22,637,940
Total Liabilities and Fund Balances	\$ 3,541,400	\$ 1,889,937	\$ 1,212,232	\$ 4,285,218	\$ 1,868,164	\$ 5,171,382	\$ 13,203,452	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	193,579,104
Current assets used in government activities are not financial resources and, therefore, are not reported in the funds.	949,558
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,332,367
City and state collections that are not available until the next calendar year are recognized as revenue in government-wide funds but are deferred in the fund balance.	2,642,219
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	869,121
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(52,445,653)
Net pension obligation is not due and payable in the current period and, therefore, is not reported in the funds.	(23,230,075)

Net Assets of Governmental Activities

\$ 146,334,581

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

City of Lafayette
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2011

	<u>General</u>	<u>Motor Vehicle</u>	<u>Parks and Recreation</u>	<u>Redevlopmnt Authority</u>	<u>EDIT</u>	<u>TIF Alloc Creasy Cnsldatd</u>	<u>Other</u>	<u>Total</u>
REVENUES								
General Property Taxes	\$ 16,813,060	\$ 1,641,908	\$ 3,726,907	\$ -	\$ -	\$ 5,278,405	\$ 4,259,998	\$ 31,720,278
Licenses and permits	169,571	-	-	-	-	-	20,710	190,281
Intergovernmental	6,609,830	3,177,958	316,329	-	4,345,812	-	3,072,220	17,522,149
Charges for services	396,432	17,073	1,139,000	-	-	-	124,852	1,677,357
Fines and forfeits	137,733	-	-	-	-	-	21,519	159,252
Other	2,830,370	39,007	219,709	5,198,780	-	264,391	6,283,267	14,835,524
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	26,956,996	4,875,946	5,401,945	5,198,780	4,345,812	5,542,796	13,782,566	66,104,841
EXPENDITURES								
Current:								
General Government	2,939,229	-	-	-	-	-	597,614	3,536,843
Public Safety	23,153,078	-	-	-	-	-	985,057	24,138,135
Highways and Streets	-	5,214,428	-	-	-	-	-	5,214,428
Sanitation	1,819,195	-	-	-	-	-	-	1,819,195
Culture and Recreation	-	-	5,389,423	-	-	-	200	5,389,623
Economic Development	-	-	-	4,253,250	5,292,646	5,108,250	12,213,207	26,867,353
Capital Outlay:								
General Government	273	-	-	-	-	-	-	273
Public Safety	53,901	-	-	-	-	-	60,874	114,775
Highways and Streets	-	141,503	-	-	-	-	-	141,503
Sanitation	14,140	-	-	-	-	-	-	14,140
Culture and Recreation	-	-	42,273	-	-	-	-	42,273
Economic Development	-	-	-	-	676,915	3,161,663	1,533,670	5,372,248
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	27,979,816	5,355,931	5,431,696	4,253,250	5,969,561	8,269,913	15,390,622	72,650,789
Excess (deficiency) of revenues over (under) expenditures	(1,022,820)	(479,985)	(29,751)	945,530	(1,623,749)	(2,727,117)	(1,608,056)	(6,545,948)
Other Financing Sources (Uses)								
Bond issue and loan proceeds	-	-	-	-	650,000	-	-	650,000
Transfer In	-	-	-	-	-	336,600	-	336,600
Transfer Out	-	-	-	(336,600)	-	-	(691,005)	(1,027,605)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	-	-	-	(336,600)	650,000	336,600	(691,005)	(41,005)
Net changes in fund balances	(1,022,820)	(479,985)	(29,751)	608,930	(973,749)	(2,390,517)	(2,299,061)	(6,586,953)
Fund balances - beginning	512,350	2,080,702	715,405	3,103,530	1,972,778	6,910,701	13,929,427	29,224,893
Fund balances - ending	\$ (510,470)	\$ 1,600,717	\$ 685,654	\$ 3,712,460	\$ 999,029	\$ 4,520,184	\$ 11,630,366	\$ 22,637,940

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

CITY OF LAFAYETTE
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2011

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds (Statement of Revenues, Expenditures, and Changes in Fund Balances).	\$ (6,586,953)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	587,852
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	1,656,997
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	1,476,371
The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	3,740,983
Net pension obligations are considered long-term obligations of the general government, but are not current expenditures.	480,683
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	36,645
Transfers of noncurrent items between governmental and enterprise or fiduciary funds provide financial resources to net assets, but do not have any effect on governmental funds. This amount is the net effect of those transfers.	(551,002)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	<u>25,740</u>
Change in net assets of governmental activities (Statement of Activities)	<u>\$ 867,316</u>

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

CITY OF LAFAYETTE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2011

Assets	Business-Type Activities - Enterprise Funds				Internal Service Fund
	Water Utility	Wastewater Utility	Other Enterprise	Total	
Current assets:					
Cash and cash equivalents	\$ 3,704,220	\$ 21,446,705	\$ 105,517	\$ 25,256,442	\$ 363,528
Cash with fiscal agent	-	-	-	-	-
Accounts receivable (net of allowance)	323,817	2,547,565	-	2,871,382	-
Loans receivable	-	-	2,689,999	2,689,999	-
Interfund receivable	-	2,000,000	-	2,000,000	-
Interfund services provided and used	-	-	-	-	409,547
Inventories	311,799	728,995	-	1,040,794	240,517
Prepaid items	95,200	105,530	-	200,730	-
Total current assets	4,435,036	26,828,795	2,795,516	34,059,347	1,013,592
Noncurrent assets:					
Restricted cash, cash equivalents and investments:					
Customer deposits	122,631	-	-	122,631	-
Revenue bond covenant accounts	-	4,103,030	89,780	4,192,810	-
Total restricted assets:	122,631	4,103,030	89,780	4,315,441	-
Deferred charges	-	1,845,964	25,000	1,870,964	-
Capital assets:					
Land, improvements to land and construction in progress	1,671,289	5,037,033	683,981	7,392,303	-
Other capital assets (net of accumulated depreciation)	32,366,556	166,648,166	2,487,392	201,502,114	-
Total capital assets	34,037,845	171,685,199	3,171,373	208,894,417	-
Total noncurrent assets	34,160,476	177,634,193	3,286,153	215,080,822	-
Total assets	38,595,512	204,462,988	6,081,669	249,140,169	1,013,592
Liabilities					
Current liabilities:					
Accounts payable	130,967	375,969	64	507,000	144,471
Accrued wages payable	41,288	66,311	-	107,599	-
Other payable	41,758	-	-	41,758	-
Interfund services provided and used	16,360	37,302	-	53,662	-
Current liabilities payable from restricted assets:					
Customer deposits	122,631	-	-	122,631	-
Revenue bonds payable	340,000	1,815,000	180,000	2,335,000	-
Notes and loans payable	-	3,445,000	70,000	3,515,000	-
Capital leases payable	-	-	-	-	-
Accrued interest payable	6,460	2,004,791	62,282	2,073,533	-
Total current liabilities	699,464	7,744,373	312,346	8,756,183	144,471
Noncurrent liabilities:					
Revenue bonds payable (net of unamortized discounts or premiums)	-	52,571,130	1,147,000	53,718,130	-
Notes and loans payable	-	45,707,080	2,655,000	48,362,080	-
Net pension obligation	31,105	38,423	-	69,528	-
Total noncurrent liabilities	31,105	98,316,633	3,802,000	102,149,738	-
Total liabilities	730,569	106,061,006	4,114,346	110,905,921	144,471
Net assets					
Invested in capital assets, net of related debt	33,697,845	68,146,989	(880,626)	100,964,208	-
Restricted	122,631	4,103,030	89,780	4,315,441	-
Unrestricted	4,044,467	26,151,963	2,758,169	32,954,599	869,121
Total net assets	\$ 37,864,943	\$ 98,401,982	\$ 1,967,323	\$ 138,234,248	\$ 869,121

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

CITY OF LAFAYETTE
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For The Year Ended December 31, 2011

	Enterprise Funds			Total	Internal Service Fund
	Water Utility	Wastewater Utility	Other Enterprise		
Operating revenues:					
Unmetered water revenue	\$ 33,305	\$ -	\$ -	\$ 33,305	\$ -
Metered water revenue:					
Residential	3,224,211	-	-	3,224,211	-
Commercial	1,842,130	-	-	1,842,130	-
Industrial	610,839	-	-	610,839	-
Recoveries to operations	-	-	-	-	-
Fire protection revenue	1,233,156	-	-	1,233,156	-
Measured revenue:					
Residential	-	7,217,067	-	7,217,067	-
Commercial	-	6,291,673	-	6,291,673	-
Industrial	-	10,705,037	-	10,705,037	-
Other	732,917	1,274,635	162,520	2,170,072	1,176,339
Total operating revenues	7,676,558	25,488,412	162,520	33,327,490	1,176,339
Operating expenses:					
Source of supply and expense - operations and maintenance	1,009,972	-	-	1,009,972	-
Water treatment expense - operations and maintenance	325,176	-	-	325,176	-
Transmission and distribution	765,965	-	-	765,965	-
Pumping - operations and maintenance	47,447	-	-	47,447	-
Collection system - operations and maintenance	-	1,284,413	-	1,284,413	-
Treatment and disposal expense - operations and maintenance	-	2,689,578	-	2,689,578	-
Customer accounts	584,377	580,732	-	1,165,109	-
Administration and general	2,895,002	4,803,651	-	7,698,653	1,150,599
Bad debt expense	28,053	46,983	-	75,036	-
Depreciation and amortization	1,000,610	6,174,811	67,344	7,242,765	-
Change in pension obligation	87,303	107,843	-	195,146	-
Miscellaneous expenses	-	-	6,920	6,920	-
Total operating expenses	6,743,905	15,688,011	74,264	22,506,180	1,150,599
Operating income	932,653	9,800,401	88,256	10,821,310	25,740
Nonoperating revenues (expenses):					
Interest and investment revenue	17,790	69,721	24	87,535	-
Miscellaneous revenue	-	5,962	-	5,962	-
Amortization of bond costs	(62,044)	(138,833)	(5,000)	(205,877)	-
Interest expense	-	(4,104,666)	(153,428)	(4,258,094)	-
Miscellaneous expense	(94,304)	-	-	(94,304)	-
Total nonoperating revenue (expenses)	(138,558)	(4,167,816)	(158,404)	(4,464,778)	-
Income (loss) before contributions and transfers	794,095	5,632,585	(70,148)	6,356,532	25,740
Capital contributions	1,203,170	487,350	-	1,690,520	-
Transfers in	95,048	355,492	243,014	693,554	-
Transfers out	-	(2,550)	-	(2,550)	-
Change in net assets	2,092,313	6,472,877	172,866	8,738,056	25,740
Total net assets - beginning	35,772,630	91,929,105	1,794,457	129,496,192	843,381
Total net assets - ending	\$ 37,864,943	\$ 98,401,982	\$ 1,967,323	\$ 138,234,248	\$ 869,121

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

CITY OF LAFAYETTE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended December 31, 2011

	Enterprise Funds				Internal Service Fund
	Water Utility	Wastewater Utility	Other Enterprise	Total	
Cash flows from operating activities:					
Receipts from customers and users	\$ 7,666,781	\$ 25,465,810	\$ 230,020	\$ 33,362,611	\$ 770,090
Receipts from interfund services provided	-	-	-	-	-
Payments to suppliers	(3,722,916)	(6,655,979)	(19,693)	(10,398,588)	(1,176,060)
Payments to employees	(2,068,336)	(3,308,067)	-	(5,376,403)	-
Net cash provided by operating activities	<u>1,875,529</u>	<u>15,501,764</u>	<u>210,327</u>	<u>17,587,620</u>	<u>(405,970)</u>
Cash flows from noncapital financing activities:					
Transfer to other funds	-	(2,550)	-	(2,550)	-
Transfer from other funds	95,048	-	140,000	235,048	-
Nonoperating revenue	-	5,962	-	5,962	-
Nonoperating expenses	(94,304)	-	-	(94,304)	-
Net cash provided by noncapital financing activities	<u>744</u>	<u>3,412</u>	<u>140,000</u>	<u>144,156</u>	<u>-</u>
Cash flows from capital and related financing activities:					
Proceeds from capital debt (net of discount)	-	1,137,450	-	1,137,450	-
Purchase of capital assets	(786,828)	(1,610,563)	-	(2,397,391)	-
Principal paid on capital debt	(770,000)	(5,147,340)	(230,000)	(6,147,340)	-
Interest paid on capital debt	-	(4,104,666)	(153,428)	(4,258,094)	-
Net cash used by capital and related financing activities	<u>(1,556,828)</u>	<u>(9,725,119)</u>	<u>(383,428)</u>	<u>(11,665,375)</u>	<u>-</u>
Cash flows from investing activities:					
Interest received	<u>17,790</u>	<u>69,721</u>	<u>24</u>	<u>87,535</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	337,235	5,849,778	(33,077)	6,153,936	(405,970)
Cash and cash equivalents, January 1 (Including \$116,224 and \$3,155,774 for the customer deposit and revenue bond covenant accounts, respectively, reported in restricted accounts)					
	<u>3,489,616</u>	<u>19,699,958</u>	<u>228,373</u>	<u>23,417,947</u>	<u>769,498</u>
Cash and cash equivalents, December 31 (Including \$122,631 and \$4,103,031 for the customer deposit and revenue bond covenant accounts, respectively, reported in restricted accounts)					
	<u>\$ 3,826,851</u>	<u>\$ 25,549,736</u>	<u>\$ 195,296</u>	<u>\$ 29,571,883</u>	<u>\$ 363,528</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income	<u>\$ 932,653</u>	<u>\$ 9,800,401</u>	<u>\$ 88,256</u>	<u>\$ 10,821,310</u>	<u>\$ 25,740</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	1,000,610	6,174,811	67,344	7,242,765	-
(Increase) decrease in assets:					
Accounts receivable	(170)	(22,602)	67,500	44,728	-
Other receivable	-	-	-	-	-
Inventories	(41,883)	(49,246)	-	(91,129)	(36,811)
Deferred Bond Costs	-	138,833	-	138,833	-
Pension benefit assets	87,303	107,843	-	195,146	-
Increase (decrease) in liabilities:					
Customer deposits	6,407	-	-	6,407	-
Accounts payable	(92,096)	(579,170)	(4,069)	(675,335)	11,350
Accrued wages payable	35	2,618	-	2,653	-
Bond issue costs	(28,742)	77,530	-	48,788	-
Interfund services provided and used	22,870	43,207	-	66,077	(406,249)
Other payable	(11,458)	(192,461)	(8,704)	(212,623)	-
Total adjustments	<u>942,876</u>	<u>5,701,363</u>	<u>122,071</u>	<u>6,766,310</u>	<u>(431,710)</u>
Net cash provided by operating activities	<u>\$ 1,875,529</u>	<u>\$ 15,501,764</u>	<u>\$ 210,327</u>	<u>\$ 17,587,620</u>	<u>\$ (405,970)</u>
Noncash investing, capital and financing activities:					
Contributions of capital assets from private contractors	\$ 1,203,170	\$ 487,350	\$ -	1,690,520	\$ -

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

CITY OF LAFAYETTE
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2011

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
Cash and cash equivalents	\$ 1,845,698	\$ 2,209,889
Receivables:		
Accounts receivable	-	25,069
Intergovernmental	-	-
Total receivables	-	25,069
Total assets	<u>\$ 1,845,698</u>	<u>\$ 2,234,958</u>
 <u>Liabilities</u>		
Trust payable	\$ -	\$ 5,077
Accounts payable	<u>1,658</u>	<u>2,229,881</u>
Total liabilities	<u>1,658</u>	<u>\$ 2,234,958</u>
 <u>Net assets</u>		
Held in trust for:		
Employees' pension benefits and other purposes	<u>1,844,040</u>	
Total net assets	<u>\$ 1,844,040</u>	

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

CITY OF LAFAYETTE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For The Year Ended December 31, 2011

<u>Additions</u>	<u>Pension Trust Funds</u>
Contributions:	
State Contributions	\$ <u>3,785,443</u>
Total additions	<u>3,785,443</u>
 <u>Deductions</u>	
Benefits	4,207,652
Administrative expense	<u>10,558</u>
Total deductions	<u>4,218,210</u>
Changes in net assets	(432,767)
Net assets - beginning	<u>2,276,807</u>
Net assets - ending	<u>\$ 1,844,040</u>

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

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City of Lafayette (primary government) was established under the laws of the State of Indiana. The primary government operates under a Council-Mayor form of government and provides the following services: public safety (police and fire), highways and streets, health, welfare and social services, culture and recreation, public improvements, planning and zoning general administrative services, water, sewer, and urban redevelopment and housing.

The City's financial reporting entity is composed of the following:

Primary Government: City of Lafayette
Blended Component Unit: Lafayette Redevelopment Authority

Blended Component Units

A blended component unit is a separate legal entity that meets the component unit criteria. In addition, the blended component unit's governing body is the same or substantially the same as the City's governing body or the component unit provides services entirely to the City. The component unit's funds are blended into those of the City by appropriate fund type to constitute the primary government presentation and they do not issue a separate financial statement. The blended component unit is presented below:

<u>Component Unit</u>	<u>Description/Inclusion Criteria</u>	<u>Fund Included In</u>
Lafayette Redevelopment Authority	The primary government appoints a voting majority of the Authority's board and a financial benefit/burden relationship exists between the City and the Authority. Although it is legally separate from the City, the Authority is reported as if it were a part of the City because it provides services entirely or almost entirely to the City.	Governmental Funds – Redevelopment Authority

Joint Venture

The primary government is a participant with Tippecanoe County, the City of West Lafayette, and the Town of Battle Ground in a joint venture to operate the Lafayette Housing Consortium which was created to undertake eligible housing assistance activities under the HOME Investment Partnership Program (HOME,) as set forth in the National Affordable Housing Act (NAHA). The City agrees to cooperate, to undertake, and to assist in undertaking housing assistance activities for HOME. Complete financial statements for the Consortium can be obtained from the City of Lafayette, 20 North Sixth Street, Lafayette, Indiana 47901.

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Related Organizations

The primary government's officials are also responsible for appointing the members of the boards of other organizations, but the primary government's accountability for these organizations does not extend beyond making the appointments. The primary government appoints the board members of the Lafayette Housing Authority, Tippecanoe County Convention and Visitors Bureau, Tippecanoe County Child Care Commission, Lafayette Police Civil Service Commission, Area Plan Commission, Board of Zoning Appeals of Tippecanoe County/Lafayette Division, Lafayette Urban Enterprise Association, Lafayette Historic District Review Board, Greater Lafayette Public Transportation Corporation, Tippecanoe County Local Environmental Response Financing Board and the Lafayette Tree Advisory Committee.

B. Government-Wide and Fund Financial Statements

Government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which direct expenses of a given function or segments are offset by program revenues. Direct expenses are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, are recorded only when payment is due.

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The motor vehicle fund accounts for the resources of the motor vehicle highway and local road and street funds which are utilized for the repair and maintenance of the City's fleet, streets and related infrastructure.

The parks and recreation fund accounts for the resources related to the operations, maintenance, repairs and upgrading of the City's recreational areas. This would include the City parks, zoo and golf course.

The redevelopment authority fund accounts for resources utilized to create positive economic development within the City. This is accomplished through improvements in housing, infrastructure and grants to sub recipients.

The economic development income tax fund (EDIT) originally was created to foster positive development within the City. This fund works in conjunction with the redevelopment authority funds to accomplish this task. In addition the legislature, recognizing the fact that economic development encompasses the entire city proper, allowed the fund to be used for any legal purpose required by the City.

The creasy consolidated TIF fund accounts for resources derived from improvements from designated areas within the City. Funds are utilized for further improvements with the designated area.

The City reports the following major proprietary funds:

The water utility fund accounts for the operation of the primary government's water distribution system.

The wastewater utility fund accounts for the operation of the primary government's wastewater treatment plant, wastewater pumping stations, wastewater collection systems and storm water collection system.

Additionally, the City reports the following fund types:

The internal service fund accounts for self-insurance and other services provided to other departments on a cost-reimbursement basis.

The pension trust funds account for the activities of the 1925 police and 1937 fire pension funds which accumulate resources for pension benefit payments.

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Agency funds account for assets held by the primary government as an agent for benefit providers and state and federal agencies for payroll withholdings and other private concerns.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial 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 business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City and utilities for services. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds 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.

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

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statute (IC 5-13-9) authorizes the City to invest in securities, including but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Investment income, including changes in the fair value of investments, is reported as revenue in the operating statement.

2. Interfund Transactions and Balances

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "interfund receivables/payables" (i.e., the current and non-current portion of interfund loans). All other outstanding balances between funds are

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

reported as "interfund services provided/used." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances."

3. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and in December. State statutes (IC 6-1.1-17-16) require the Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Department of Local Government Finance). Normally, taxes may be paid in two equal installments that become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were not distributed to the City prior to December 31, 2011. The property taxes that were not distributed by December 31 are reported as receivable and are recognized as revenue on all financial statements. The taxes were received by January 31, 2012. Delinquent property taxes outstanding at year end for governmental and/or proprietary funds, net of allowances for uncollectible accounts, are recorded as a receivable on the statement of net assets and are recognized as tax revenues on the statement of activities. The net amounts are recognized as receivables on the funds financial statements with an offset to deferred revenue, since these amounts are not considered available.

4. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method except for the golf course which averages costs. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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.

5. 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.

The financial statements report \$4,515,248 of restricted net assets, of which, \$189,806 is restricted by enabling legislation.

6. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land improvements	\$ 1	N/A	N/A
Buildings	5,000	Straight-line	40 to 60 yrs.
Improvements	5,000	Straight-line	40 to 60 yrs.
Vehicles	5,000	Straight-line	3 to 5 yrs.
Machinery and Equipment	5,000	Straight-line	3 to 5 yrs.
Infrastructure (roads)	5,000	Straight-line	50 yrs.
Infrastructure (Water and Wastewater mains, manholes, inlets, etc.)	5,000	Straight-line	60 yrs.
Wastewater distribution and collection systems	5,000	Straight-line	45 yrs.

N/A = Not Applicable

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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the City in its business-type activities during the current year was \$4,258,094. Of the amount, none was included as part of the cost of capital assets under construction.

7. Compensated Absences

- a. Sick Leave – City employees earn sick leave at the rate of 1 day per month and accumulates to a maximum of 36 days. Accumulated sick leave is not paid to employees upon termination.
- b. Vacation Leave – City employees earn vacation leave at rates from 10 to 25 days per year based upon the number of years of service. Vacation leave may be accumulated to a maximum of 5 days carryover to the following year. Accumulated vacation leave is paid to employees through cash payments upon termination.
- c. Personal Leave – City employees earn personal leave at the rate of 2 days per year and 1 day each year for their birthday. Personal leave does not accumulate from year to year.

No liability is reported for vacation, sick and personal leave.

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

8. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from actual debt proceeds received, are reported as debt service expenditures.

9. Fund Equity

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Mayor, Clerk, Department Heads, and the Board of Works.

Unassigned includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The City uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City does not have a formal minimum fund balance policy.

CITY OF LAFAYETTE
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year end.

On or before August 31, the City Controller submits to the Common Council a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the Common Council to obtain taxpayer comments. In September of each year, the Common Council through the passage of an ordinance approves the budget for the next year. Copies of the budget ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the City Controller receives approval of the Indiana Department of Local Government Finance.

The City's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the Common Council. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Expenditures in Excess of Appropriations

For the year ended December 31, 2011, expenditures exceeded budgeted appropriations in the following fund, by the amount below:

Fund	Amount
EDIT	\$ <u>97,240</u>

These expenditures were funded by existing cash reserves.

C. Deficit Fund Equity

At December 31, 2011, the following fund reported a deficit in fund equity:

Fund	2011
Governmental Funds:	
General Fund	\$ <u>(510,470)</u>

The General Fund equity deficit arose from expenditures or expenses exceeding revenues due to delayed revenue payments and the subsequent booking of that deferred revenue. This deficit will be repaid from the delayed revenue payment.

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

III. Detailed Notes on All Funds

A. 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. IC 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 bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers public funds held in approved depositories.

B. Receivables

The Lahr loan receivable has timing and credit characteristics different from typical accounts receivable. This receivable is the result of debt proceeds from the U.S. Department of Housing and Urban Development being subsequently loaned to a developer for the renovation of property. The balance of the receivable at year end is \$2,689,999 and monthly remittances are scheduled until 2018.

C. Capital Assets

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

<u>Primary government</u>	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Governmental activity:				
Capital assets, not being depreciated:				
Land	\$ 22,747,089	\$ 1,166,231	\$ 142,837	\$ 23,770,483
Roads accounted for using the modified approach	-	-	-	-
Construction in progress	<u>11,332,213</u>	<u>6,004,257</u>	<u>9,953,442</u>	<u>7,383,028</u>
Total capital assets, not being depreciated	<u>34,079,302</u>	<u>7,170,488</u>	<u>10,096,279</u>	<u>31,153,511</u>
Capital assets, being depreciated:				
Buildings	32,609,939	944,546	113,014	33,441,471
Improvements other than buildings	7,554,188	-	-	7,554,188
Machinery and equipment	5,877,565	274,822	95,175	6,057,212
Vehicles	12,371,713	1,076,410	581,778	12,866,345
Infrastructure	<u>177,519,969</u>	<u>8,202,505</u>	<u>1,144,526</u>	<u>184,577,948</u>
Totals	<u>235,933,374</u>	<u>10,498,283</u>	<u>1,934,493</u>	<u>244,497,164</u>
Less accumulated depreciation for:				
Buildings	(8,358,366)	(731,394)	(5,700)	(9,084,060)
Improvements other than buildings	(2,533,135)	(365,133)	-	(2,898,268)
Machinery and equipment	(4,859,076)	(393,269)	(95,175)	(5,157,170)
Vehicles	(10,650,281)	(615,985)	(581,778)	(10,684,488)
Infrastructure	<u>(51,726,562)</u>	<u>(2,689,042)</u>	<u>(168,020)</u>	<u>(54,247,584)</u>
Totals	<u>(78,127,420)</u>	<u>(4,794,823)</u>	<u>(850,673)</u>	<u>(82,071,570)</u>
Total capital assets, being depreciated, net	<u>157,805,954</u>	<u>5,703,460</u>	<u>1,083,820</u>	<u>162,425,594</u>
Total governmental activity capital assets, net	<u>\$ 191,885,256</u>	<u>\$ 12,873,948</u>	<u>\$ 11,180,099</u>	<u>\$ 193,579,105</u>

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Business-type activity:

Capital assets, not being depreciated:				
Land	\$ 2,044,596	\$ -	\$ -	\$ 2,044,596
Construction in progress	<u>4,714,565</u>	<u>1,648,781</u>	<u>1,015,638</u>	<u>5,347,708</u>
 Total capital assets, not being depreciated	 <u>6,759,161</u>	 <u>1,648,781</u>	 <u>1,015,638</u>	 <u>7,392,304</u>
 Capital assets, being depreciated:				
Buildings	17,212,415	103,014	-	17,315,429
Improvements other than buildings	145,950	69,066	-	215,016
Machinery and equipment	72,686,452	637,179	123,368	73,200,263
Vehicles	2,692,421	318,694	231,641	2,779,474
Infrastructure	<u>158,369,043</u>	<u>2,702,771</u>	<u>-</u>	<u>161,071,814</u>
 Totals	 <u>251,106,281</u>	 <u>3,830,724</u>	 <u>355,009</u>	 <u>254,581,996</u>
 Less accumulated depreciation for:				
Buildings	(3,126,460)	(371,936)	-	(3,498,396)
Improvements other than buildings	(59,758)	(8,976)	-	(68,734)
Machinery and equipment	(23,093,399)	(3,581,477)	(80,318)	(26,594,558)
Vehicles	(1,794,202)	(205,329)	(218,407)	(1,781,124)
Infrastructure	<u>(18,062,023)</u>	<u>(3,075,047)</u>	<u>-</u>	<u>(21,137,070)</u>
 Totals	 <u>(46,135,842)</u>	 <u>(7,242,765)</u>	 <u>(298,725)</u>	 <u>(53,079,882)</u>
 Total capital assets, being depreciated, net	 <u>204,970,439</u>	 <u>(3,412,041)</u>	 <u>56,284</u>	 <u>201,502,114</u>
 Total business-type activity capital assets, net	 <u>\$ 211,729,600</u>	 <u>\$ (1,763,260)</u>	 <u>\$ 1,071,922</u>	 <u>\$ 208,894,418</u>

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:	
General government	\$ 402,796
Public safety	804,876
Public works, including depreciation of general infrastructure assets	2,720,910
Health and sanitation	53,087
Culture and recreation	804,331
Community development	<u>8,823</u>
 Total depreciation expense - governmental activities	 <u>\$ 4,794,823</u>
 Business-type activities:	
Water	\$ 1,000,610
Wastewater	6,174,810
Other	<u>67,344</u>
 Total depreciation expense - business-type activities	 <u>\$ 7,242,764</u>
 Grand Total	 <u>\$ 12,037,587</u>

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Construction Commitments

Construction work in progress at year is composed of the following:

<u>Project</u>	Total Project <u>Authorized</u>	Expended to December 31, <u>2011</u>	<u>Committed</u>	x Require Future Funding
Governmental Activities:				
Police Annex-Armory	\$ 102,700	\$ 102,693	\$ 7	x
Depot Platform Rehab	58,000	13,768	44,232	
Fire Grant 37K Fairfield Twsp	37,000	29,306	7,694	
Concord Road Reconstruction	5,482,161	1,312,217	4,169,944	
Maple Point Extension	2,823,831	2,019,846	803,985	
Creasy Lane/SR 26 Land Acquisition	50,369	2,021	48,348	
Park East Extension	1,200	1,175	25	
Main St. & Everett St. Vacant Lot	300	294	6	x
Shenandoah and Navarre Roundabout	500,000	386,946	113,054	x
Progress Drive	713,970	708,327	5,643	
S18th Street Widening	1,460,000	11,125	1,448,875	
Erie/Ferry Park	90,000	56,515	33,485	x
McAllister Center Exterior Repairs	42,037	8,286	33,751	
Riverfront Development	505,000	18,259	486,741	x
515 Columbia Street	20,000	9,438	10,562	
Predevelopment Chatham Square	2,500,000	2,208,282	291,718	x
Streetscape Alabama/3rd Street	696,000	115,819	580,181	x
Trail Development	250,000	9,900	240,100	x
Midwest Rentals Redevelopment	300,000	175,836	124,164	x
Quiet Zone	842,300	87,917	754,383	
Concord/Squoya Drainage	1,500	1,165	335	x
Sidewalks N26th Cason to Unions	99,950	72,913	27,037	x
Citywide Trail Master Plan	150,000	30,980	119,020	x
Video System-Columbia Park/Hannah/Depot	5,000	-	5,000	x
VMP Widening Concord to US 52	5,400,000	-	5,400,000	x
Old Romney Road	4,550,000	-	4,550,000	
Glen Acres Sidewalks and ADA Ramps	655,000	-	655,000	
Eastwich and Greenwich Street Reconstruct	3,780,000	-	3,780,000	x
John T. Meyers P. Bridge	103,520	-	103,520	x
Totals Governmental Funds	\$ 31,219,838	\$ 7,383,028	\$ 23,836,810	

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Project	Total Project Authorized	Expended to December 31, 2011	Committed	x Require Future Funding
Enterprise Funds:				
Drainage Valley Street	\$ 1,500,000	\$ 43,303	\$ 1,456,697	
Orchard Heights Drainage Ph I	665,392	86,684	578,708	
Rome Drive Land	40,000	1,928	38,072	
CSO LCTP	50,000	482,336	(432,336)	
Utility Service Area 21	7,563,500	523,099	7,040,401	x
Aeration Blower Systm-SRF #3 Project	1,903,804	1,706,449	197,355	
Wea Creek Bank Stabilization Project	188,750	171,301	17,449	
Pearl River Lift Station Phase 2	330,000	326,866	3,134	x
Orchard Heights Sewer Alignment	135,000	132,360	2,640	x
Flow Study	129,300	129,300	-	
Durkees Run @ Saw Mill Run	75,000	68,720	6,280	
Cincinnati St CS003 Interceptor Sewer	1,600,000	1,004	1,598,996	
Concord/Squoya Drainage	150	148	2	
Green Infrastructure Feasibility & Strategy	74,068	73,819	249	x
Wabash River Bank Stabilization	31,000	30,210	790	x
Congress Street Storm Sewer	50,000	46,681	3,319	
North Street Reconstruct and Stormwater	202,900	69,122	133,778	
Video System-Columbia Park/Hannah/Depot	5,000	2,782	2,218	x
New Wellfield Investigation	705,000	656,595	48,405	
Glick Wellfield Genaerator	16,856	16,856	-	x
Onsite Chloine Generation-Glick	355,000	90,996	264,004	x
2008 Compound Meter Change Out	460,000	395,658	64,342	x
Utilities at US52	59,230	50,360	8,870	x
Meter Change out	500,000	235,990	264,010	x
Fiber Optics to Water Infrastructure	110,400	-	110,400	x
Union Str Water Tower Restore	5,140	5,140	-	x
Union Street Drainage	730,000		730,000	
Total Enterprise Funds	17,485,490	5,347,707	12,137,783	
Grand Total for CWIP	\$ 48,705,328	\$ 12,730,735	\$ 35,974,593	

E. Leases

1. Operating Leases

The City has no operating leases at year end.

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Capital Leases

The City has entered into various capital leases for facilities management system upgrade, vehicles and other equipment. Future minimum lease payments and present values of the net minimum lease payments under these capital leases at year end are as follows:

	Government Activities	Business-type Activities
2012	\$ 414,867	\$ -
2013	357,583	-
2014	357,584	-
2015	<u>174,575</u>	<u>-</u>
Total minimum lease payments	1,304,609	-
Less amount representing interest	<u>79,806</u>	<u>-</u>
Present value of net minimum lease payments	<u>\$ 1,224,803</u>	<u>\$ -</u>

Assets acquired through capital leases still in effect at year end, are as follows:

	Governmental Activities	Business-Type Activities
Machinery and equipment	\$ 14,778	\$ -
Vehicles	<u>1,727,051</u>	<u>-</u>
Totals	1,741,829	-
Accumulated depreciation	<u>(628,051)</u>	<u>-</u>
Totals	<u>\$ 1,113,778</u>	<u>\$ -</u>

F. Short-Term Liabilities

1. Tax Anticipation Notes

The City issues tax anticipation notes in advance of property tax collections, depositing the proceeds in its general fund.

The City has no short-term debt activity at year end.

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

G. Long-Term Liabilities

1. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

General obligation bonds are direct obligations and pledge the full faith and credit of the City.

General obligation bonds currently outstanding at year end are as follows:

Purpose	Interest Rates	Balance at December 31
Park district bonds of 1998 for aquatic center	4.6% to 4.7%	\$ 2,815,000
Park and recreation bonds of 2001	3.876% to 5%	1,750,000
Park and recreation bonds of 2003	3% to 4.3%	1,730,000
County option income tax infrastructure bonds of 2003	3% to 3.6%	<u>75,000</u>
Total		<u>\$ 6,370,000</u>

Annual debt service requirements to maturity for general obligation bonds at year end are as follows:

	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2012	\$ 795,000	\$ 282,573	\$ -	\$ -
2013	750,000	248,135	-	-
2014	790,000	213,037	-	-
2015	825,000	175,599	-	-
2016	860,000	136,416	-	-
2017-2021	<u>2,350,000</u>	<u>160,016</u>	-	-
Totals	<u>\$ 6,370,000</u>	<u>\$ 1,215,776</u>	<u>\$ -</u>	<u>\$ -</u>

2. Revenue Bonds – Business-Type Activities

The City issues bonds to be paid by income derived from the acquired or constructed assets. Revenue bonds outstanding at year end are as follows:

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Purpose	Interest Rates	Balance at December 31	Less: Unamortized (Premium) Discount	Amount
District parking facility revenue bonds of 1996	6%	\$ 1,327,000	\$ 27,234	\$ 1,299,766
Water refunding revenue bonds of 2003	2% to 3.8%	340,000	-	340,000
Water pollution control improvements revenue bonds of 2002	4% to 5.15%	735,000	-	735,000
Water pollution control refunding revenue bonds of 2006	3.5% to 4.5%	24,600,000	180,416	24,419,584
Water pollution control revenue bonds of 2006	4% to 4.75%	25,935,000	850,074	25,084,926
Water pollution control revenue bonds of 2008	3.5% to 4%	<u>4,235,000</u>	<u>61,146</u>	<u>4,173,854</u>
Total		<u>\$ 57,172,000</u>	<u>\$ 1,118,870</u>	<u>\$ 56,053,130</u>

Revenue bonds debt service requirements to maturity at year end are as follows:

	Business-Type Activities	
	Principal	Interest
2012	\$ 2,335,000	\$ 2,372,268
2013	2,085,000	2,279,657
2014	2,176,000	2,191,178
2015	2,283,000	2,094,920
2016	2,387,000	1,993,870
2017-2021	12,456,000	8,433,384
2022-2026	<u>33,450,000</u>	<u>4,543,006</u>
Totals	<u>\$ 57,172,000</u>	<u>\$ 23,908,283</u>

3. Revenue Bonds – Government Activities

The Lafayette Redevelopment Authority (a blended component unit of the City, and acting on behalf of the City of Lafayette) issues revenue bonds. The revenue bonds are secured by tax proceeds attributable to the assessed valuation within the Lafayette Redevelopment District (the Lafayette Redevelopment District boundaries are coterminous with the City) to finance local public improvement and economic development projects.

The revenue bonds are direct obligations and pledge the full faith and credit of the City. Revenue bonds currently outstanding at year end are as follows:

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Purpose	Interest Rates	Balance at December 31	(Premium) Discount	Amount
2003 Redevelopment Authority refunding bonds	3.0% to 3.9%	\$ 2,705,000	\$ -	\$ 2,705,000
2004 Redevelopment Authority lease rental bonds - Brady Lane	3.25% to 4.1%	4,730,000	62,533	4,667,467
2004 Renaissance Place Series A bonds	5.5%	1,850,000	-	1,850,000
2004 Renaissance Place Series B bonds	5.5%	735,000	-	735,000
2005 Redevelopment Authority refunding bonds - Greenbush	3.0% to 4.1%	6,745,000	(85,409)	6,830,409
2006 Redevelopment Authority revenue bonds - Lafayette Pavilion	6.0%	2,715,000	-	2,715,000
Economic Development lease rental refunding bonds series 2010 A	1.0% to 2.75%	900,000	6,978	893,022
Economic Development lease rental refunding bonds series 2010 B	2.0% to 4.0%	4,630,000	(62,106)	4,692,106
Economic Development lease rental refunding bonds series 2010 C	2.0% to 3.2%	8,740,000	59,907	8,680,093
Redevelopment Authority lease revenue refunding bond series 2010 A	2.0% to 3.5%	2,385,000	15,446	2,369,554
Redevelopment Authority lease revenue refunding bond series 2010 B	2.0% to 3.25%	2,880,000	5,819	2,874,181
Redevelopment Authority lease revenue refunding bond series 2010 C	2.0% to 4.0%	5,535,000	(85,703)	5,620,703
Total		<u>\$ 44,550,000</u>	<u>\$ (82,535)</u>	<u>\$ 44,632,535</u>

Revenue bonds debt service requirements to maturity at year end are as follows:

	Governmental Activities	
	Principal	Interest
2012	4,655,000	1,531,263
2013	4,800,000	1,401,450
2014	4,920,000	1,268,102
2015	5,310,000	1,119,626
2016	5,310,000	926,371
2017-2021	14,880,000	2,464,327
2022-2026	4,675,000	584,358
Totals	<u>\$ 44,550,000</u>	<u>\$ 9,295,497</u>

4. Loans Payable

The Wastewater Utility has entered into three loans from the State Revolving Loan Fund. The funds are loaned to the Utility as planned construction costs are accrued up to the maximums allowed under the loans. The established maximums for the 2000, 2007 and 2009 loans are \$59,630,000, \$12,000,000 and \$1,509,000 respectively. At year end, the principal balances for the 2000, 2001 and 2009 loans were \$39,215,000, \$7,862,080 and \$1,429,000 respectively.

The City received a "Section 108" loan from HUD in the amount of \$3,300,000. The proceeds were deposited with a Trustee for subsequent loan to a private developer for the Lahr Project. The developer is currently making timely payments and the current principal balance of the loan at year end is \$2,725,000.

Annual debt service requirements to maturity for the loans are as follows:

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Business-Type Activities	
	Principal	Interest
2012	\$ 3,515,000	\$ 1,744,641
2013	3,642,000	1,622,329
2014 (a)	4,421,000	1,495,325
2015	3,912,000	1,363,332
2016	4,714,000	1,226,287
2017-2021	23,667,000	3,657,004
2022-2026	7,658,080	360,764
2027-2031	348,000	25,611
Totals	\$ 51,877,080	\$ 11,495,293

(a) Included in this schedule of requirements is a SRF 2009 loan for \$646,000 that is to be forgiven in about five (5) years from 2009.

5. Notes Payable

The City has entered into various notes. Annual debt service requirements to maturity for the notes, including interest, at year end are as follows:

	Principal	Interest
2012	\$ 153,200	\$ 5,129
2013	65,114	2,608
Totals	\$ 218,314	\$ 7,737

6. Advance Refunding

In prior years, the City defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. The following outstanding bonds, at year end were considered defeased:

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Amount
Primary government:	
1994 Redevelopment Authority lease rental -\$9,365,000	4,480,000
1994 Redevelopment Authority lease rental -\$15,000,000	7,785,000
1994 B Redevelopment Authority lease rental -\$5,665,000	2,665,000
1995 B Redevelopment Authority lease rental -\$8,200,000	4,165,000
1995 A Redevelopment Authority lease rental -\$3,360,000	2,370,000
2002 Sewage Works revenue bonds - \$30,000,000	23,935,000
1995 Redevelopment Authority lease rental -\$2,300,000	960,000
1996 Redevelopment Authority lease rental refunding -\$4,025,0	4,025,000
1997 Redevelopment Authority lease rental refunding -\$3,925,0	620,000
1998 Redevelopment Authority lease rental refunding -\$4,485,0	2,970,000
1999 Redevelopment Authority lease rental refunding -\$7,980,0	5,235,000
2001A Redevelopment Authority lease rental refunding -\$3,500	2,200,000
2001B Redevelopment Authority lease rental refunding -\$5,000	3,140,000
2002 Redevelopment Authority lease rental refunding -\$8,500,0	5,880,000

7. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Primary government</u>					
Governmental activities:					
Bonds payable:					
General obligation	\$ 7,195,000	\$ -	\$ 825,000	\$ 6,370,000	\$ 795,000
Redevelopment agency	47,655,000	-	3,105,000	44,550,000	4,660,000
Less deferred amount on refunding	<u>(102,753)</u>	<u>-</u>	<u>(20,218)</u>	<u>(82,535)</u>	<u>-</u>
Total revenue bonds payable	47,757,753	-	3,125,218	44,632,535	4,660,000
Capital leases	978,918	650,000	404,115	1,224,803	428,529
Notes payable	417,967	-	199,653	218,314	153,200
Net pension obligations	<u>23,915,711</u>	<u>-</u>	<u>685,636</u>	<u>23,230,075</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 80,265,349</u>	<u>\$ 650,000</u>	<u>\$ 5,239,622</u>	<u>\$ 75,675,727</u>	<u>\$ 6,036,729</u>

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Primary government</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Revenue bonds payable:					
Water Utility	\$ 1,110,000	\$ -	\$ 770,000	\$ 340,000	\$ 340,000
Wastewater Utility	57,260,000	-	1,755,000	55,505,000	1,815,000
District parking facility	1,492,000	-	165,000	1,327,000	180,000
Less deferred amount on refunding	<u>(1,167,658)</u>	<u>-</u>	<u>(48,788)</u>	<u>(1,118,870)</u>	<u>-</u>
Total revenue bonds payable	58,694,342	-	2,641,212	56,053,130	2,335,000
Loans payable	54,128,630	1,137,450	3,389,000	51,877,080	3,515,000
Notes payable	-	-	-	-	-
Capital leases	68,340	-	68,340	-	-
Net pension obligations	<u>-</u>	<u>69,528</u>	<u>-</u>	<u>69,528</u>	<u>-</u>
Total business-type activities long-term liabilities	<u>\$ 112,891,312</u>	<u>\$ 1,206,978</u>	<u>\$ 6,098,552</u>	<u>\$ 107,999,738</u>	<u>\$ 5,850,000</u>

8. Contingent Receivable – Forgivable Loans

The City has contingent receivables resulting from rehabilitation and improvement loans made through various Community Development Block Grant and Home Investment Partnership Programs. The loans become receivable only if recipients do not meet occupancy or other requirements. Loans balances are systematically "forgiven" (reduced without cash payment) each year the recipient meets the requirements. The receivable is contingent upon the recipient not meeting the requirements and the amount of the receivable is not known until that time. The following schedule shows the changes in this contingent receivable for 2011:

Beginning balance, January 1	\$ 5,970,051
New loans	1,544,333
Amounts forgiven	(816,000)
Principle amount paid on loans	<u>(10,578)</u>
Ending balance, December 31	<u>\$ 6,687,806</u>

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

H. Restricted Assets

The balances of restricted asset accounts at year end are as follows:

	Government Activities	Business-type Activities
Park and Recreation special project	\$ 10,000	\$ -
Intergovernmental cash account	189,807	-
Customer Deposits	-	122,631
Revenue bond operations and maintenance account	-	4,192,810
 Total restricted assets	 \$ 199,807	 \$ 4,315,441

IV. Other Information

A. Risk Management

The City 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; dental and vision medical benefits to employees; unemployment compensation 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; 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 3 years. There were no significant reductions in insurance by major category of risk.

Dental and Vision Medical Benefits

The primary government has chosen to establish a risk financing fund for risks associated with medical benefits to employees for dental and vision coverage. The risk financing fund is accounted for in the Dental/Vision Insurance Fund, an internal service fund, where assets are set aside for claim settlements. A premium is charged to each fund that accounts for dental and vision coverage. The total charge allocated to each of the funds is calculated using trends in actual claims experience. The plan is administered by Stewart Miller. Provisions are also made for unexpected and unusual claims.

Claim expenditures and liabilities of the fund are reported when it is probable that a loss has occurred.

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Changes in the balance of claim liabilities during the past two years are as follows:

	2010	2011
Unpaid claims, beginning of fiscal year	\$ -	\$ -
Incurred claims and changes in estimates	616,730	619,017
Claim payments	(616,730)	(619,017)
Unpaid claims, end of fiscal year	\$ -	\$ -

Job Related Illnesses or Injuries to Employees

The primary government has chosen to establish a risk financing fund for risks associated with job related illnesses or injuries to employees. The risk financing fund is accounted for in the General Fund where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$250,000 per individual and \$1,000,000 per aggregate annually. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years.

Claim expenditures and liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amounts of pay outs, and other economic and social factors.

Changes in the balance of claim liabilities during the past two years are as follows:

	2010	2011
Unpaid claims, beginning of fiscal year	\$ -	\$ -
Incurred claims and changes in estimates	461,019	252,534
Claim payments	(461,019)	(252,534)
Unpaid claims, end of fiscal year	\$ -	\$ -

Unemployment Compensation Benefits

The primary government has chosen to establish a risk financing fund for risks associated with unemployment compensation insurance. The risk financing fund is accounted for in each fund from where the employee's salary was paid.

Claim expenditures and liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amounts of pay outs and other economic and social factors.

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Changes in the balance of claim liabilities during the past two years are as follows:

	2010	2011
Unpaid claims, beginning of fiscal year	\$ -	\$ -
Incurred claims and changes in estimates	65,305	66,256
Claim payments	(65,305)	(66,256)
Unpaid claims, end of fiscal year	\$ -	\$ -

B. Related Party Transactions

During the period in which financial statements are presented, the City had material transactions with Gary Henriott, Board of Works Member in relation to Insurance coverage in the amount of \$531,051. No amount was due as of the balance sheet date.

C. Subsequent Events

None

D. Section 108 Loan

The City received a "Section 108" loan from HUD in the amount of \$3,300,000. The proceeds were deposited with a Trustee for subsequent loan to a private developer for the Lahr Project. The developer is responsible for the Loan Repayment. The City has a liability connected with the loan in the event of default by the developer. The City pledged as security for the loan future Community Development Block Grant and Program Income Funds in the event the developer would default. The liability is contingent upon the default of the developer and the amount would be the outstanding principal and interest at the time of the default. The developer is currently making timely payments and the current principal balance of the loan at year end, is \$2,725,000.

E. Conduit Debt Obligation

The primary government has issued the Indiana Variable Rate Demand Economic Development Revenue Bonds of 2003 to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

At the end of the year, the sole series of bonds outstanding had an aggregate principal amount payable of \$1,520,000.

F. City/County Interlocal Agreement

An interlocal agreement between the Tippecanoe County Redevelopment Commission and the City of Lafayette Redevelopment Commission was entered into in 2001. The agreement provides for the allocation of TIF distributions related to the Southeast Industrial Expansion economic development area and the McCarty Lane economic development area.

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Under the terms of the agreement, Tippecanoe County established a Southeast Industrial Expansion economic development TIF district to finance public improvements within the defined district. The City had established the McCarty TIF district. In accordance with the interlocal agreement, the public improvements mutually benefit the districts.

The County has pledged one-half of the actual TIF proceeds from the Southeast Industrial Expansion district for the agreed upon public improvements which will be constructed and owned by the City. The City has pledged one-half of the actual TIF proceeds from the McCarty Lane TIF district for the agreed upon public improvements which will be constructed and owned by the County.

Under the terms of the agreement, the County has established a Southeast Industrial TIF fund to account for the funds used to pay for the public improvements which will be constructed and administered by the City. The payments for these projects are initiated by the City then reviewed, approved and paid by the County. At December 31, 2011, the Southeast Industrial TIF fund had \$1,079,783 held for these capital projects.

The City has established a TIF County's South East fund to account for the McCarty TIF district funds used to pay for the public improvements which will be constructed and administered by the County. The payments for these projects are initiated by the County then reviewed, approved and paid by the City. At December 31, 2011, the TIF County's South East fund had \$189,806 held for these capital projects.

G. Postemployment Benefits

In addition to the pension benefits described below, effective January 1, 2004, the primary government provides a portion of postemployment health insurance benefits, as authorized by IC 5-10-8, to all employees who retire from the primary government. The total of said benefits shall be \$4,800, credited at a rate of \$100 per month for the retiree to continue coverage under the City health insurance plan. This benefit will terminate at the \$4,800 individual limit, or immediately upon the employee or spouse/dependent becoming covered by another group plan with no preexisting health clause, or if the employee or spouse/dependent becomes eligible for Medicare. Currently, thirty employees meet these eligibility requirements. The primary government provides 100% of these postemployment benefits. Expenditures for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended December 31, 2011, expenditures of \$1,200 for police, \$7,800 for fire, and \$1,100 for water and water pollution control were recognized for postemployment benefits

H. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. Public Employees' Retirement Fund

Plan Description

The primary government contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Employee Retirement System (INPRS) Board, most requirements of the system and give the primary

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

government authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF 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 Employees' Retirement System
One North Capital, Suite 001
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy

PERF members are required to contribute 3% of their annual covered salary. The City is required to contribute at an actuarially determined rate; the current rate is 6.75% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the INPRS Board of Trustees.

Annual Pension Cost

For 2011, the City's annual pension cost of \$ 852,290 for PERF was equal to 70% of the City's required contributions.

b. 1925 Police Officers' Pension Plan

Plan Description

The primary government contributes to the 1925 Police Officers' Pension Plan which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the primary government is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 19.5% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the primary government are established and can be amended by the Board of Trustees of PERF.

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

The use of the pay-as-you-go actuarial cost method by the primary government results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

The primary government monitors and distributes the pension payments to pensioners and currently all the annual pension costs are funded by the State of Indiana.

c. 1937 Firefighters' Pension Plan

Plan Description

The primary government contributes to the 1937 Firefighters' Pension Plan which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established and can be amended by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the primary government is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 19.5% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the primary government are established by the Board of Trustees of PERF.

The use of the pay-as-you-go actuarial cost method by the primary government results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

The primary government monitors and distributes the pension payments to pensioners and currently all the annual pension costs are funded by the State of Indiana.

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2012 was comprised of the following:

	1925 Police Officers' Pension	1937 Firefighters' Pension
Retires and beneficiaries currently receiving benefits	54	87
Terminated employees entitled to but not yet receiving benefits	-	-
Current active employees	-	-

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plans

	Annual Pension Cost and Net Pension Obligation		
	City PERF	1925 Police Officers Pension	1937 Firefighters' Pension
Annual required contribution	\$ 1,221,383	\$ 1,682,200	\$ 2,714,500
Interest on net pension obligation	(13,168)	468,600	962,300
Adjustment to annual required contribution	15,160	(622,200)	(1,277,900)
Annual pension cost	1,223,375	1,528,600	2,398,900
Contributions made	852,290	2,329,452	2,329,452
Increase (decrease) in net pension obligation	371,085	(800,852)	69,448
Net pension obligation (asset), beginning of year 06/30/2010	(188,116)	7,809,388	16,038,650
Net pension obligation, end of year 6/30/2011	<u>\$ 182,969</u>	<u>\$ 7,008,536</u>	<u>\$ 16,108,098</u>
<u>Actuarial Methods</u>	City PERF	1925 Police Officers Pension	1937 Firefighters' Pension
Contribution rates:			
Government	3%	0%	0%
Plan members	3%	0%	0%
Actuarial valuation date	07-01-2011	01-01-2011	01-01-2011
Actuarial cost method	Entry age normal cost	Entry age	Entry age
Amortization method	Level dollar, closed amortization period	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed
Amortization period	30 years	30 years	30 years
Amortization period (from date)	07-01-07	01-01-05	01-01-05
Asset valuation method	75% of expected actuarial value plus 25% of market value	4 year phase in of unrealized and realized capital	4 year phase in of unrealized and realized capital
<u>Actuarial Assumptions</u>			
Investment rate of return(Net of Expenses)	7.25%	6.00%	6.00%
Projected future salary increases:	4.00%	4.00%	4.00%
Cost-of-living adjustments	1.50%	2.25% & 4.00%	2.25% & 4.00%

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-2009	\$ 801,664	96.0%	\$ (330,571)
	06-30-2010	941,085	85.0%	(188,116)
	06-30-2011	1,223,375	70.0%	182,969
1925 Police Officers' Pension Plan	12-31-2009	\$ 1,557,300	140.0%	\$ 7,863,276
	12-31-2010	1,474,500	104.0%	7,809,388
	12-31-2011	1,528,600	152.0%	7,008,536
1937 Firefighters' Pension Plan	12-31-2009	\$ 2,243,300	144.0%	\$ 16,052,435
	12-31-2010	2,337,000	101.0%	16,038,650
	12-31-2011	2,398,900	97.0%	16,108,098

Funded status and Funding Progress for the Above Plans

The funded status of PERF as of 7/1/11 and the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan as of 1/1/11, the most recent actuarial valuation dates are as follows:

Retirement Plan	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL or (Funding Excess) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL or (Funding Excess) as a Percentage of Covered Payroll ((b-a)/c)
PERF	10,329,132	18,470,075	8,140,943	56%	13,875,392	59%
1925 Police Officers' Pension Plan	0	21,683,000	21,111,900	0%	0	0
1937 firefighters' Pension Plan	0	33,683,000	33,683,000	0%	0	0

The schedule of funding progress, presented as RSI for the above plans following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CITY OF LAFAYETTE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
6/30/2009	\$ 13,273,099	\$ 15,460,528	\$ (2,187,429)	86%	\$ 13,628,273	16%
6/30/2010	11,811,723	17,068,590	(5,256,867)	69%	13,307,268	40%
6/30/2011	10,329,132	18,470,075	(8,140,943)	56%	13,875,392	59%

1925 Police Officers' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
1/1/2006	\$ (157,220)	\$ 22,696,700	\$ (22,853,920)	(1%)	\$ 189,100	(12086%)
1/1/2007	861,582	21,078,300	(20,216,718)	4%	95,400	(21192%)
1/1/2008	985,499	20,166,600	(19,181,101)	5%	-	0%
1/1/2009	470,188	22,762,300	(22,292,112)	2%	-	0%
1/1/2010	-	21,281,700	(21,281,700)	0%	-	0%
1/1/2011	-	21,111,900	(21,111,900)	0%	-	0%

1937 Firefighters' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
1/1/2006	\$ 1,058,018	\$ 35,555,500	\$ (34,497,482)	3%	\$ 614,300	(5616%)
1/1/2007	1,562,361	\$ 38,678,700	\$ (37,116,339)	4%	572,700	(6481%)
1/1/2008	1,610,698	37,090,000	(35,479,302)	4%	248,200	(14295%)
1/1/2009	558,942	33,879,700	(33,320,758)	2%	-	0%
1/1/2010	-	34,162,900	(34,162,900)	0%	-	0%
1/1/2011	-	33,683,000	(33,683,000)	0%	-	0%

CITY OF LAFAYETTE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF CONTRIBUTIONS FROM THE
 EMPLOYER AND OTHER CONTRIBUTING ENTITIES

1925 Police Officers' Pension Plan

Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	
		City	State
12/31/2009	1,700,900	4%	97%
12/31/2010	1,617,800	0%	95%
12/31/2011	1,682,200	0%	141%

1937 Firefighters' Pension Plan

Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	
		City	State
12/31/2009	2,531,700	25%	102%
12/31/2010	2,629,600	0%	90%
12/31/2011	2,714,500	0%	88%

CITY OF LAFAYETTE
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
For The Year Ended December 31, 2011

	General Fund				Highway Fund (MVH & LRS) Major Special Revenue Fund				Park Fund (all Park & Rec Funds) Major Special Revenue Fund			
	Budgeted Amounts		Actual Budgetary	Variance	Budgeted Amounts		Actual Budgetary	Variance	Budgeted Amounts		Actual Budgetary	Variance
			Basis	With Final			Basis	Favorable			Basis	Favorable
	Original	Final	Amounts	Budget	Original	Final	Amounts	(Unfavorable)	Original	Final	Amounts	(Unfavorable)
Revenues:												
Taxes:												
Property Taxes	\$20,402,473	\$20,402,473	\$16,813,060	(\$3,589,413)	\$1,980,744	\$1,980,744	\$1,641,908	(\$338,836)	\$4,223,027	\$4,223,027	\$3,726,907	(\$496,120)
Licenses and permits	376,000	376,000	169,571	(206,429)	-	-	-	-	-	-	-	-
Intergovernmental	6,585,089	6,585,089	6,609,830	24,741	3,170,423	3,170,423	3,177,958	7,535	296,982	296,982	316,329	19,347
Charges for services	3,266,000	3,266,000	3,167,866	(98,134)	40,000	40,000	17,073	(22,927)	1,171,608	1,171,608	1,139,000	(32,608)
Fines and forfeits	135,000	135,000	137,733	2,733	-	-	-	-	-	-	-	-
Other	617,500	617,500	58,936	(58,564)	60,000	60,000	39,007	(20,993)	254,989	254,989	219,709	(35,280)
	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUES	31,382,062	31,382,062	26,956,996	(4,425,066)	5,251,167	5,251,167	4,875,946	(375,221)	5,946,606	5,946,606	5,401,945	(544,661)
Expenditures:												
Current:												
General government:												
Personal Services	1,398,290	1,398,290	1,472,464	(74,174)	-	-	-	-	-	-	-	-
Supplies	111,220	111,220	106,022	5,198	-	-	-	-	-	-	-	-
Other Srv & Chrgs	1,318,460	1,318,460	1,360,743	(42,283)	-	-	-	-	-	-	-	-
Capital Outlays	-	-	273	(273)	-	-	-	-	-	-	-	-
Total general government	2,827,970	2,827,970	2,939,502	(111,532)	-	-	-	-	-	-	-	-
Public safety:												
Personal Services	24,392,820	24,393,295	21,963,820	2,429,475	-	-	-	-	-	-	-	-
Supplies	872,250	876,037	877,266	(1,229)	-	-	-	-	-	-	-	-
Other Srv & Chrgs	372,300	372,300	311,992	60,308	-	-	-	-	-	-	-	-
Capital Outlays	46,000	46,000	53,901	(7,901)	-	-	-	-	-	-	-	-
Total public safety	25,683,370	25,687,632	23,206,979	2,480,653	-	-	-	-	-	-	-	-
Highways and streets:												
Personal Services	-	-	-	-	3,413,100	3,413,100	3,209,938	203,162	-	-	-	-
Supplies	-	-	-	-	792,700	797,396	719,542	77,854	-	-	-	-
Other Srv & Chrgs	-	-	-	-	288,100	1,488,100	1,284,947	203,153	-	-	-	-
Capital Outlays	-	-	-	-	150,000	150,000	141,504	8,496	-	-	-	-
Total highways and streets	-	-	-	-	4,643,900	5,848,596	5,355,931	492,665	-	-	-	-
Sanitation:												
Personal Services	1,527,450	1,527,450	1,422,872	104,578	-	-	-	-	-	-	-	-
Supplies	323,500	323,500	386,453	(62,953)	-	-	-	-	-	-	-	-
Other Srv & Chrgs	7,400	7,400	9,869	(2,469)	-	-	-	-	-	-	-	-
Capital Outlays	-	-	14,141	(14,141)	-	-	-	-	-	-	-	-
Total sanitation	1,858,350	1,858,350	1,833,335	25,015	-	-	-	-	-	-	-	-
Culture and recreation:												
Personal Services	-	-	-	-	-	-	-	-	3,063,566	3,063,566	2,853,094	210,472
Supplies	-	-	-	-	-	-	-	-	636,054	637,054	572,065	64,989
Other Srv & Chrgs	-	-	-	-	-	-	-	-	1,384,615	1,384,660	1,269,264	115,396
Capital Outlays	-	-	-	-	-	-	-	-	54,773	54,773	52,273	2,500
Total culture and recreation	-	-	-	-	-	-	-	-	5,139,008	5,140,053	4,746,696	393,357
Debt Service:												
Principal	-	-	-	-	-	-	-	-	685,000	685,000	685,000	-
TOTAL EXPENDITURES	30,369,690	30,373,952	27,979,816	2,394,136	4,643,900	5,848,596	5,355,931	492,665	5,824,008	5,825,053	5,431,696	393,357
Other financing sources (uses):												
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	1,012,372	1,008,110	(1,022,820)	(2,030,930)	607,267	(597,429)	(479,985)	117,444	122,598	121,553	(29,751)	(151,304)
Fund balances - beginning	512,350	512,350	512,350	-	2,080,702	2,080,702	2,080,702	-	715,405	715,405	715,405	-
Fund balances - December 31	\$ 1,524,722	\$ 1,520,460	\$ (510,470)	\$ (2,030,930)	\$ 2,687,969	\$ 1,483,273	\$ 1,600,717	\$ 117,444	\$ 838,003	\$ 836,958	\$ 685,654	\$ (151,304)

CITY OF LAFAYETTE
AUDIT RESULT AND COMMENT

OVERDRAWN CASH BALANCES

The cash balances of the Park and Recreation Fund, (\$116,962), and the Economic Development Fund (\$28,382) were overdrawn in 2011.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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 ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE CITY OF LAFAYETTE, TIPPECANOE COUNTY, INDIANA

Compliance

We have audited the compliance of the City of Lafayette (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied in all material respects with the compliance requirements referred to above that could have a direct and material effect on to each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the City's management, City Council, Board of Public Works and Safety, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 14, 2012

CITY OF LAFAYETTE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ending December 31, 2011

Federal Grantor Agency/Pass-Through Entity Cluster Title/ProgramTitle/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Direct Grant			
CDBG - Entitlement Grants Cluster			
Community Development Block Grants/ Entitlement Grants	14.218	B06-MC-18008	\$ 20,900
		B08-MC-18008	6,780
		B09-MC-18008	33,080
		B10-MC-18008	394,446
		B11-MC-18008	<u>111,658</u>
Total for program			<u>566,864</u>
ARRA - Community Development Block Grants ARRA Entitlement Grants	14.253	B-09-MY-18-0008	<u>17,548</u>
Total for program			<u>17,548</u>
Total for cluster			<u>584,412</u>
Pass-Through Indiana Housing and Community Development Authority			
CDBG - State-Administered CDBG Cluster			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	NSP1-009-015	<u>6,476,003</u>
Direct Grant			
Home Investment Partnerships Program			
	14.239	M05-DC-180212	11,000
		M06-DC-180212	2,826
		M07-DC-180212	40,334
		M08-DC-180212	326,812
		M09-DC-180212	554,212
		M10-DC-180212	661,669
		M11-DC-180212	225,038
Pass-Through Indiana Housing and Community Development Authority			
Home Investment Partnerships Program	14.239	TB-008-001	<u>88,849</u>
Total for program			<u>1,910,740</u>
Shelter Plus Care	14.238	SC-008-006	<u>126,553</u>
Total for federal grantor agency			<u>9,097,708</u>
<u>U.S. DEPARTMENT OF INTERIOR</u>			
Pass-Through Indiana Department of Natural Resources			
Save America's Treasures	15.929	18-08-AP-4011	<u>2,118</u>
Total for federal grantor agency			<u>2,118</u>

CITY OF LAFAYETTE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ending December 31, 2011
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/ProgramTitle/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant			
JAG Program Cluster			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-0049 2010-DJ-BX-0694	500 <u>45,523</u>
Total for program			<u>46,023</u>
Total for cluster			<u>46,023</u>
Direct Grant			
Community Capacity Development Office	16.595	2010-WS-QX-WESO89	<u>151,887</u>
ARRA - Public Safety Partnership and Community Policing Grants- ARRA	16.710	2009-RK-WX-0353	<u>253,057</u>
Total for federal grantor agency			<u>450,967</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Department of Transportation			
Highway Planning and Construction Cluster			
ARRA Highway Planning and Construction	20.205	A249-10-320675 (ARRA)	17,034
Highway Planning and Construction	20.205	A249-8-320450 A249-10-320939 A249-10-320529 A249-10-320675	9,061 480,724 223,077 <u>20</u>
Total for program			<u>729,916</u>
Recreational Trails Program	20.219	A249-10-322061	<u>53,540</u>
Total for cluster			<u>783,456</u>
Pass-Through Indiana Criminal Justice Institute			
Highway Safety Cluster			
Alcohol Impaired Driving Countermeasures Incentive Grant 1	20.601	K8-2011-03-02-07 K8-2011-03-03-29 PT-11-04-04-30 CA-2011-08-01-18 K8-2011-03-02-07 K8-2012-03-03-30 D3-12-6427	10,427 21,811 48,972 19,936 2,687 9,801 <u>9,054</u>
Total for program			<u>122,688</u>
Total for federal grantor agency			<u>906,144</u>
<u>ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Department of Environmental Protection			
Capitalization Grants for Clean Water State Revolving Funds	66.458	2W-00E73001-0	<u>497,498</u>
Total for federal grantor agency			<u>497,498</u>
<u>U.S. DEPARTMENT OF ENERGY</u>			
Direct Grant			
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	DE-SC0003233 (ARRA)	284,838
Pass-Through The City of Indianapolis			
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)		DE-RR0003577-001 (ARRA)	80,477
Pass-Through Tippecanoe County			
Energy Efficiency and Conservation Block Grant Program (EECBG)		DE-SC0003233	<u>44,023</u>
Total for federal grantor agency			<u>409,338</u>
Total federal awards expended			<u>\$ 11,363,773</u>

CITY OF LAFAYETTE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Lafayette and is presented in conformity with accounting principles generally accepted in the United States of America which is the basis of accounting used in the presentation of the financial statements. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Subrecipients

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows for the year ended December 31, 2011:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grants/ Entitlement Grants	14.218	\$158,060
Home Investment Partnerships Program	14.239	172,379

CITY OF LAFAYETTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Qualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statements noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
	CDBG – State-Administered CDBG Cluster
	Highway Planning and Construction Cluster
81.128	Energy Efficiency and Conservation Block Grant Program (EECBG)

Dollar threshold used to distinguish between Type A and Type B programs: \$340,913

Auditee qualified as low-risk auditee? yes

CITY OF LAFAYETTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section II – Financial Statement Findings

FINDING 2011-1 - FINANCIAL REPORTING NONCOMPLIANCE

The City provides postemployment benefits to retired employees by allowing them to remain on the City's health insurance plan. The City has not implemented the requirements of GASB 45 in providing actuarially sound information related to the computation or inclusion of any liability associated with the benefits.

GASB 45 requires an actuarially determined annual required contribution of the City. The annual required contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The City did not obtain an actuarial study to determine the annual required contribution. The expense presented in the financial statements consisted only of insurance premium payments attributable to the retired employees.

Failure to follow the requirements of GASB 45 could result in incomplete disclosure or expenses and liabilities for postemployment benefits.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



September 13, 2012

Corrective Action Plan

FINDING NO. 2011-01

Auditee Contact Person: Mike Jones
Title of Contact Person: Controller
Phone Number: 765-807-1011
Expected Completion Date: 10-31-2011

Corrective Action Planned:

The corrective action required for this finding has in fact already taken place. The Nyhart Company has been engaged to perform the necessary actuarial work to bring the City into compliance with the GASB 45 requirements. They were engaged on August 16 of this year and we expect the report will be completed no later than the end of October.

Very truly yours,

J. Michael Jones
Controller

CITY OF LAFAYETTE
EXIT CONFERENCE

The contents of this report were discussed on August 14, 2012, with Tony Roswarski, Mayor; Gary Henriott, President of the Board of Public Works and Safety; Steve Meyer, President of the Common Council; J. Michael Jones, Controller; Terry Schmitt, Deputy Controller; Cindy Murray, City Clerk; and Edward Chosnek, City Attorney. The official response has been made a part of this report and may be found on pages 60 and 61.



CITY OF
LAFAYETTE
OFFICE OF CONTROLLER

August 22, 2012

Mr. Bruce Hartman, CPA
Chief Examiner
State Board of Accounts
302 W. Washington Street Rm E 418
Indianapolis, IN 46204-2765

RE: Official Audit Response

Dear Mr. Hartman:

As last year the City of Lafayette wanted to write a brief response to the 2011 Audit results and comments.

I would like to comment on the GASB 45 requirement. It is true that due to the prohibitive costs that the City received quotes for the study that Lafayette did not have the study completed. However prices have recently been renegotiated and as of the writing of this letter a firm has been engaged to perform the work and bring the City into compliance with GASB 45.

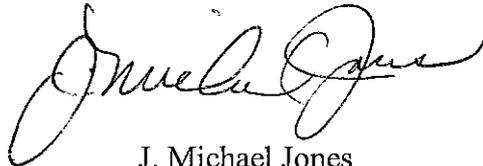
The next comment concerns the overdrawn balance in the EDIT fund. During the course of the year the City received an EDIT draw of \$324,000 a month per our certified amount. In December of 2011 instead of our certified amount we received a draw of \$121,000. We did not receive the difference until February of 2012. So due to this situation the fund went over budget but there was sufficient cash reserve.

In concluding I would like to mention the deficit in fund equity in the General Fund. As we have mentioned in the past the City once again received a late tax draw. This is the fourth consecutive year this has occurred. Each year we book the deferred revenue. In 2011 in addition to the late payments we were hit with held over appeals from the Assessor's Office of which we were not aware of and had not factored into our calculations. A third item was the action of the Department of Revenue which had stated local governmental units had been overpaid in the EDIT and COIT funds distributed by that department. Since COIT is put directly into the General fund this was another item that had not gone into our calculations. The end result was that our cash receipts fell short of the Account Receivable we had booked. As a side note, the Department of Revenue found that they had miscalculated due to a software error and paid the local governmental units the money they withheld. These funds which we could not anticipate the amount due to us were also not booked into our receivables.

In our case we received \$585,000 in April of 2012 which would have left the equity balance positive had we received the funds on time.

Thank you for the opportunity to respond to the comments.

Very truly yours,

A handwritten signature in black ink, appearing to read "J. Michael Jones". The signature is fluid and cursive, with a large initial "J" and a long, sweeping underline.

J. Michael Jones
Controller