

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

FINANCIAL STATEMENTS AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF LAFAYETTE
TIPPECANOE COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED
09/30/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	J. Michael Jones	01-01-13 to 12-31-14
Mayor	Tony Roswarski	01-01-12 to 12-31-15
President of the Board of Public Works	Gary D. Henriott	01-01-13 to 12-31-14
President of the Common Council	Ronald B. Campbell Steven P. Meyer	01-01-13 to 12-31-13 01-01-14 to 12-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective 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, 2013, and the respective changes in financial position, and where applicable, cash flows thereof and for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedules of Funding Progress, Schedules of Contributions 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's Discussion and Analysis that accounting principles generally accepted in the United States of America, 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 the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City basic financial statements. The accompanying Schedule of Expenditures of Federal Awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (Circular A-133), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

July 23, 2014



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INDEPENDENT AUDITOR'S 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, in accordance with the 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 23, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in item 2013-001 of the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

INDEPENDENT AUDITOR'S 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 from 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Lafayette's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

July 23, 2014

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BASIC FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

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

City of Lafayette
Statement of Net Position
December 31, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 36,476,580	\$ 38,948,323	\$ 75,424,903
Cash with fiscal agent	4,948,506	-	4,948,506
Receivable (net of allowance for uncollectibles)			
Loans	574,955	2,540,000	3,114,955
Taxes	1,639,013	-	1,639,013
Accounts	197,818	2,934,722	3,132,540
Intergovernmental	3,049,793	-	3,049,793
Internal balances	78,566	(78,566)	-
Inventories	395,714	1,015,580	1,411,294
Prepaid expense	818,640	200,730	1,019,370
Capital assets:			
Land, improvements and construction in progress	42,467,771	27,357,453	69,825,224
Other capital assets, net of depreciation	162,782,801	196,666,178	359,448,979
Restricted assets:			
Cash and cash equivalents	1,858,289	331,958	2,190,247
Investments	-	5,500,000	5,500,000
Total Assets	255,288,446	275,416,378	530,704,824
LIABILITIES:			
Accounts payable	1,255,466	4,296,247	5,551,713
Accrued payroll and withholdings payable	673,778	184,440	858,218
Intergovernmental payable	1,857,919	-	1,857,919
Taxes payable	-	14,709	14,709
Accrued interest payable	320,145	2,490,790	2,810,935
Deposit for extension refund contracts	-	6,650	6,650
Performance deposits payable	245,420	863,002	1,108,422
Payable from restricted assets:			
Customer deposits	14,135	134,882	149,017
Noncurrent liabilities:			
Due within one year			
General obligation bonds payable	880,000	-	880,000
Revenue bonds payable	5,870,000	5,720,000	11,590,000
Notes and loans payable	534,825	141,000	675,825
Capital Lease obligations	342,570	-	342,570
Due in more than one year			
General obligation bonds payable	4,076,818	-	4,076,818
Revenue bonds payable	31,312,177	107,522,850	138,835,027
Notes and loans payable	503,459	3,756,000	4,259,459
Capital Lease obligations	169,605	-	169,605
Other postemployment benefit obligation	500,381	1,000,763	1,501,144
Net pension obligation	22,406,594	242,972	22,649,566
Total Liabilities	70,963,292	126,374,305	197,337,597
NET POSITION:			
Net Investment in capital assets	161,561,118	106,883,781	268,444,899
Restricted	1,858,289	5,831,958	7,690,247
Unrestricted	20,905,747	36,326,334	57,232,081
Total Net Position	\$ 184,325,154	\$ 149,042,073	\$ 333,367,227

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, 2013

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary government							
Governmental activities							
General Government	\$ 4,131,608	\$ 449,543	\$ 82,690	\$ 15,159	\$ (3,584,216)	\$ -	\$ (3,584,216)
Public Safety	27,583,781	127,729	490,395	-	(26,965,657)	-	(26,965,657)
Highways and Streets	7,650,926	2,718,171	-	151,376	(4,781,379)	-	(4,781,379)
Sanitation	2,110,763	-	-	-	(2,110,763)	-	(2,110,763)
Culture and Recreation	5,109,955	1,002,517	3,401	6,430	(4,097,607)	-	(4,097,607)
Economic Development	9,707,497	8,356	1,379,537	-	(8,319,604)	-	(8,319,604)
Total governmental activities	<u>56,294,530</u>	<u>4,306,316</u>	<u>1,956,023</u>	<u>172,965</u>	<u>(49,859,226)</u>	<u>-</u>	<u>(49,859,226)</u>
Business-type activities							
Water Utility	7,890,298	7,448,458	-	-	-	(441,840)	(441,840)
Wastewater Utility	25,063,741	27,625,118	-	-	-	2,561,377	2,561,377
Parking Garage	86,535	84,366	-	-	-	(2,169)	(2,169)
Section 108	74,216	73,997	-	-	-	(219)	(219)
Total business-type activities	<u>33,114,790</u>	<u>35,231,939</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,117,149</u>	<u>2,117,149</u>
Total primary government	<u>\$89,409,320</u>	<u>\$39,538,255</u>	<u>\$ 1,956,023</u>	<u>\$ 172,965</u>	<u>\$ (49,859,226)</u>	<u>\$ 2,117,149</u>	<u>\$ (47,742,077)</u>
General Revenues:							
Property taxes					35,613,459	-	35,613,459
Intergovernmental Revenues					14,603,682	-	14,603,682
Gain (loss) on sale of assets					44,292	19,731	64,023
Other revenues					4,072,316	102,077	4,174,393
Unrestricted investment earnings					30,833	59,490	90,323
Contributed Capital					-	1,372,650	1,372,650
Total general revenues and separate line items					<u>54,364,582</u>	<u>1,553,948</u>	<u>55,918,530</u>
Changes in net position					<u>4,505,356</u>	<u>3,671,097</u>	<u>8,176,453</u>
Net position - beginning					181,325,866	147,246,663	328,572,529
Restatement-See Note 11					<u>(1,506,068)</u>	<u>(1,875,687)</u>	<u>(3,381,755)</u>
Net position - beginning, restated					<u>179,819,798</u>	<u>145,370,976</u>	<u>325,190,774</u>
Net position - ending					<u>\$ 184,325,154</u>	<u>\$ 149,042,073</u>	<u>\$ 333,367,227</u>

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

**City of Lafayette
Balance Sheet
Governmental Funds
December 31, 2013**

	<u>General</u>	<u>Motor Vehicle</u>	<u>Thorough- fares</u>	<u>Redevelopmnt Authority</u>	<u>EDIT</u>	<u>TIF Alloc Central Cnsltdatd</u>	<u>Other</u>	<u>Total</u>
ASSETS								
Cash and cash equivalents	\$ (883,747)	\$ 2,183,884	\$19,757,491	\$ (123,604)	\$ 1,048,494	\$ 4,672,832	\$ 9,722,374	\$ 36,377,724
Cash with Fiscal Agents	-	-	-	2,892,810	-	-	2,055,696	4,948,506
Receivables (Net of allowance for uncollectibles)								
Taxes	842,987	95,437	-	-	-	361,490	339,099	1,639,013
Intergovernmental	1,545,612	516,159	-	-	917,658	-	70,364	3,049,793
Loans	-	-	-	-	-	373,709	201,246	574,955
Accounts	92,334	2,951	-	-	-	7,261	95,268	197,814
Interfund services provided and used	56	-	-	-	-	-	68	124
Restricted Cash	-	-	-	-	-	-	1,858,289	1,858,289
Total Assets	\$1,597,242	\$ 2,798,431	\$ 19,757,491	\$ 2,769,206	\$ 1,966,152	\$ 5,415,292	\$ 14,342,404	\$ 48,646,218
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts Payable	\$ 146,748	\$ 150,934	\$ 50,889	\$ -	\$ 154,972	\$ 46,560	\$ 567,358	\$ 1,163,961
Accrued payroll and withholding payable	541,145	77,968	-	-	-	-	54,665	673,778
Intergovernmental payable	-	-	-	-	-	-	1,857,919	1,857,919
Accrued interest payable	-	-	-	270,089	9,056	15,070	25,930	320,145
Unearned revenue	1,085,256	118,525	-	-	841,809	361,490	409,463	2,816,543
Performance deposits available	-	84,065	-	-	-	54,403	106,952	245,420
Customer deposits	(6,450)	-	-	-	-	-	20,585	14,135
Interfund services provided and used	251,277	124,930	-	-	441	-	17,537	394,185
Total Liabilities	2,017,976	556,422	50,889	270,089	1,006,278	477,523	3,060,409	7,439,586
Fund Balances								
Restricted	-	2,242,009	19,706,602	2,499,117	-	-	4,121,318	28,569,046
Committed	-	-	-	-	-	4,937,769	4,060,186	8,997,955
Assigned	-	-	-	-	959,874	-	3,100,491	4,060,365
Unassigned	(420,734)	-	-	-	-	-	-	(420,734)
Total Fund Balances	(420,734)	2,242,009	19,706,602	2,499,117	959,874	4,937,769	11,281,995	41,206,632
Total Liabilities and Fund Balances	\$1,597,242	\$ 2,798,431	\$ 19,757,491	\$ 2,769,206	\$ 1,966,152	\$ 5,415,292	\$ 14,342,404	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	205,246,630
Current assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	937,601
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.	2,816,543
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 position.	714,177
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(43,689,454)
Net pension obligation and other postemployment benefit obligation are not due and payable in the current period and, therefore are not reported in the funds.	(22,906,975)

Net Position of Governmental Activities

\$ 184,325,154

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, 2013

	General	Motor Vehicle	Thorough- fares	Re developmt Autho rity	EDIT	TIF Allo c Central Cns ldatd	Other	Total
REVENUES								
General Property Taxes	\$ 18,635,829	\$ 2,109,818	\$ -	\$ -	\$ -	\$ 7,991,419	\$ 7,666,058	\$ 36,403,124
Licenses and permits	177,942	-	-	-	-	-	38,699	216,641
Intergovernmental	8,215,239	4,090,670	-	-	4,446,629	-	2,362,187	19,114,725
Charges for services	496,711	65,482	-	-	-	12,884	1,052,900	1,627,977
Fines and forfeits	162,230	-	-	-	-	-	18,263	180,493
Other	2,965,159	62,136	-	5,730,791	8,789	1,824	300,852	9,069,551
Total Revenues	30,653,110	6,328,106	-	5,730,791	4,455,418	8,006,127	11,438,959	66,612,511
EXPENDITURES								
Current:								
General Government	2,796,264	-	-	-	-	-	118,790	2,915,054
Public Safety	26,728,390	-	-	-	-	-	565,539	27,293,929
Highways and Streets	-	4,500,052	-	-	-	-	-	4,500,052
Sanitation	1,917,286	-	-	-	-	-	-	1,917,286
Culture and Recreation	-	-	-	-	-	-	5,199,586	5,199,586
Economic Development	-	-	-	5,719,143	4,518,601	6,966,630	2,967,590	20,171,964
Capital Outlay:								
General Government	772	-	-	-	-	-	-	772
Public Safety	-	-	-	-	-	-	25,024	25,024
Highways and Streets	-	1,397,297	481,019	-	-	-	-	1,878,316
Culture and Recreation	-	-	-	-	-	-	9,630	9,630
Economic Development	-	-	-	-	169,725	5,653,873	3,247,140	9,070,738
Total Expenditures	31,442,712	5,897,349	481,019	5,719,143	4,688,326	12,620,503	12,133,299	72,982,351
Excess (deficiency) of revenues over (under) expenditures	(789,602)	430,757	(481,019)	11,648	(232,908)	(4,614,376)	(694,340)	(6,369,840)
Other Financing Sources (Uses)								
Loan proceeds	-	-	-	-	-	-	46,399	46,399
Proceeds of refunding debt	-	-	-	13,470,477	-	1,500,000	-	14,970,477
Payment to refunded debt escrow agent	-	-	-	(14,554,782)	-	-	-	(14,554,782)
Total Other Financing Sources (Uses)	-	-	-	(1,084,305)	-	1,500,000	46,399	462,094
Net changes in fund balances	(789,602)	430,757	(481,019)	(1,072,657)	(232,908)	(3,114,376)	(647,941)	(5,907,746)
Fund balances - beginning	368,868	1,811,252	20,187,621	3,571,774	1,192,782	8,052,145	11,929,936	47,114,378
Fund balances - ending	\$ (420,734)	\$ 2,242,009	\$ 19,706,602	\$ 2,499,117	\$ 959,874	\$ 4,937,769	\$ 11,281,995	\$ 41,206,632

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, 2013

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).	\$ (5,907,746)
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.	5,231,316
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.	172,965
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(712,534)
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 position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	5,812,986
Net pension obligations are considered long-term obligations of the general government, but are not current expenditures.	55,716
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.	(84,426)
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>(62,921)</u>
Change in net position of governmental activities (statement of activities)	<u>\$ 4,505,356</u>

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

CITY OF LAFAYETTE
STATEMENT OF NET POSITION -
PROPRIETARY FUNDS
December 31, 2013

<u>Assets</u>	<u>Business-Type Activities - Enterprise Funds</u>				<u>Internal Service Fund</u>
	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Other Enterprise</u>	<u>Total</u>	
Current assets:					
Cash and cash equivalents	\$ 4,148,606	\$ 34,674,813	\$ 124,906	\$ 38,948,325	\$ 98,856
Accounts receivable (net of allowance)	313,762	2,620,935	25	2,934,722	-
Loans receivable	-	-	2,540,000	2,540,000	-
Interfund receivable :					
Interfund services provided and used	-	-	-	-	472,628
Prepaid expense	95,200	105,530	-	200,730	-
Inventories	272,359	743,221	-	1,015,580	276,754
Total current assets	4,829,927	38,144,499	2,664,931	45,639,357	848,238
Noncurrent assets:					
Restricted cash, cash equivalents and investments:					
Customer deposits	134,882	-	-	134,882	-
Revenue bond covenant accounts	-	5,607,481	89,593	5,697,074	-
Total restricted assets:	134,882	5,607,481	89,593	5,831,956	-
Capital assets:					
Land, improvements to land and construction in progress	2,880,857	23,740,019	736,577	27,357,453	-
Other capital assets (net of accumulated depreciation)	32,532,690	161,767,114	2,366,372	196,666,176	3,942
Total capital assets	35,413,547	185,507,133	3,102,949	224,023,629	3,942
Total noncurrent assets	35,548,429	191,114,614	3,192,542	229,855,585	3,942
Total assets	40,378,356	229,259,113	5,857,473	275,494,942	852,180
Liabilities					
Current liabilities:					
Accounts payable	145,506	4,092,848	57,893	4,296,247	138,006
Interfund services provided and used	34,229	44,337	-	78,566	-
Accrued wages payable	67,647	115,448	1,345	184,440	-
Other payable	21,359	863,002	-	884,361	-
Current liabilities payable from restricted assets:					
Customer deposits	134,882	-	-	134,882	-
Revenue bonds payable	-	5,720,000	-	5,720,000	-
Notes and loans payable	-	61,000	80,000	141,000	-
Accrued interest payable	-	2,460,585	30,205	2,490,790	-
Total current liabilities	403,623	13,357,220	169,443	13,930,286	138,006
Noncurrent liabilities:					
Revenue bonds payable (net of unamortized discounts or premiums)	-	107,522,850	-	107,522,850	-
Notes and loans payable	-	1,256,000	2,500,000	3,756,000	-
OPEB obligation	500,382	500,381	-	1,000,763	-
Net pension obligation	108,698	134,274	-	242,972	-
Total noncurrent liabilities	609,080	109,413,505	2,500,000	112,522,585	-
Total liabilities	1,012,703	122,770,725	2,669,443	126,452,871	138,006
Net Position					
Net investment in capital assets	35,413,547	70,947,283	522,949	106,883,779	-
Restricted	134,882	5,607,481	89,593	5,831,956	-
Unrestricted	3,817,224	29,933,624	2,575,488	36,326,336	714,176
Total net position	\$ 39,365,653	\$ 106,488,388	\$ 3,188,030	\$ 149,042,071	\$ 714,176

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

CITY OF LAFAYETTE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
For the Year Ended December 31, 2013

	Enterprise Funds				Internal Service Fund
	Water Utility	Wastewater Utility	Other Enterprise	Total	
Operating revenues:					
Unmetered water revenue	\$ 31,729	\$ -	\$ -	\$ 31,729	\$ -
Metered water revenue:					
Residential	3,171,080	-	-	3,171,080	-
Commercial	1,828,142	-	-	1,828,142	-
Industrial	616,203	-	-	616,203	-
Fire protection revenue	1,279,791	-	-	1,279,791	-
Measured revenue:					
Residential	-	7,999,459	-	7,999,459	-
Commercial	-	6,901,024	-	6,901,024	-
Industrial	-	11,433,316	-	11,433,316	-
Other	559,738	1,291,003	84,366	1,935,107	411,142
Total operating revenues	<u>7,486,683</u>	<u>27,624,802</u>	<u>84,366</u>	<u>35,195,851</u>	<u>411,142</u>
Operating expenses:					
Source of supply and expense - operations and maintenance	1,161,818	-	-	1,161,818	-
Water treatment expense - operations and maintenance	269,636	-	-	269,636	-
Transmission and distribution	871,902	-	-	871,902	-
Pumping - operations and maintenance	97,600	-	-	97,600	-
Collection system - operations and maintenance	-	1,295,602	-	1,295,602	-
Treatment and disposal expense - operations and maintenance	-	3,905,092	-	3,905,092	-
Customer accounts	612,221	603,103	-	1,215,324	-
Administration and general	3,419,299	5,746,384	1,795	9,167,478	472,963
Bad debt expense	29,437	60,107	-	89,544	-
Depreciation and amortization	1,041,271	6,535,665	69,740	7,646,676	1,100
Change in pension and OPEB obligation	294,773	299,405	-	594,178	-
Miscellaneous expenses	-	-	15,000	15,000	-
Total operating expenses	<u>7,797,957</u>	<u>18,445,358</u>	<u>86,535</u>	<u>26,329,850</u>	<u>474,063</u>
Operating income (loss)	<u>(311,274)</u>	<u>9,179,444</u>	<u>(2,169)</u>	<u>8,866,001</u>	<u>(62,921)</u>
Nonoperating revenues (expenses):					
Interest and investment revenue	12,423	47,049	19	59,491	-
Miscellaneous revenue	-	83,748	74,147	157,895	-
Amortization of bond costs	-	(1,692,397)	-	(1,692,397)	-
Interest expense	-	(4,925,988)	(72,017)	(4,998,005)	-
Miscellaneous expense	(92,340)	-	(2,200)	(94,540)	-
Total nonoperating revenue (expenses)	<u>(79,917)</u>	<u>(6,487,588)</u>	<u>(51)</u>	<u>(6,567,556)</u>	<u>-</u>
Income (loss) before contributions and transfers	<u>(391,191)</u>	<u>2,691,856</u>	<u>(2,220)</u>	<u>2,298,445</u>	<u>(62,921)</u>
Capital contributions	334,906	1,037,745	-	1,372,651	-
Change in net position	(56,285)	3,729,601	(2,220)	3,671,096	(62,921)
Total net position - beginning	39,421,939	104,634,474	3,190,250	147,246,663	777,097
Restatement - See Note 11	-	(1,875,687)	-	(1,875,687)	-
Beginning net position adjusted	<u>39,421,939</u>	<u>102,758,787</u>	<u>3,190,250</u>	<u>145,370,976</u>	<u>777,097</u>
Total net position - ending	<u>\$ 39,365,654</u>	<u>\$ 106,488,388</u>	<u>\$ 3,188,030</u>	<u>\$ 149,042,072</u>	<u>\$ 714,176</u>

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, 2013

	Enterprise Funds				Internal Service Fund
	Water Utility	Wastewater Utility	Other Enterprise	Total	
Cash flows from operating activities:					
Receipts from customers and users	\$ 7,486,788	\$ 27,624,802	\$ 162,216	\$ 35,273,806	\$ 411,142
Payments to suppliers	(4,179,915)	(10,999,409)	(60,757)	(15,240,081)	(560,044)
Payments to employees	(2,359,100)	(3,970,944)	-	(6,330,044)	-
Net cash provided by operating activities	<u>947,773</u>	<u>12,654,449</u>	<u>101,459</u>	<u>13,703,681</u>	<u>(148,902)</u>
Cash flows from noncapital financing activities:					
Nonoperating revenue	-	951,789	103,652	1,055,441	-
Nonoperating expenses	(92,340)	(1,930,000)	-	(2,022,340)	-
Net cash provided (used) by noncapital financing activities	<u>(92,340)</u>	<u>(978,211)</u>	<u>103,652</u>	<u>(966,899)</u>	<u>-</u>
Cash flows from capital and related financing activities:					
Proceeds from capital debt (net of discount)	-	25,824,251	-	25,824,251	-
Purchase of capital assets	(906,287)	(15,330,131)	-	(16,236,418)	-
Principal paid on capital debt	-	(5,932,000)	(75,000)	(6,007,000)	-
Interest paid on capital debt	-	(3,861,796)	(74,500)	(3,936,296)	-
Net cash provided (used) by capital and related financing activities	<u>(906,287)</u>	<u>700,324</u>	<u>(149,500)</u>	<u>(355,463)</u>	<u>-</u>
Cash flows from investing activities:					
Interest received	<u>12,423</u>	<u>7,326</u>	<u>19</u>	<u>19,768</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(38,431)	12,383,888	55,630	12,401,087	(148,902)
Cash and cash equivalents, January 1 (Including \$129,427 and \$5,050,276 for the customer deposit and revenue bond covenant accounts, respectively, reported in restricted accounts)					
	<u>4,321,920</u>	<u>27,898,406</u>	<u>158,869</u>	<u>32,379,195</u>	<u>247,758</u>
Cash and cash equivalents, December 31 (Including \$134,882 and \$5,697,074 for the customer deposit and revenue bond covenant accounts, respectively, reported in restricted accounts)					
	<u>\$ 4,283,489</u>	<u>\$ 40,282,294</u>	<u>\$ 214,499</u>	<u>\$ 44,780,282</u>	<u>\$ 98,856</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income	\$ (311,274)	\$ 9,179,444	\$ (2,169)	\$ 8,866,001	\$ (62,799)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	1,041,271	6,535,665	69,740	7,646,676	1,100
(Increase) decrease in assets:					
Accounts receivable	(2,002)	(195,584)	-	(197,586)	(4)
Inventories	(5,818)	444	-	(5,374)	(23,304)
Deferred Bond Costs	-	246,359	-	246,359	-
Increase (decrease) in liabilities:					
Customer deposits	6,405	-	-	6,405	-
Accounts payable	(77,797)	(3,999,312)	32,543	(4,044,566)	(38,810)
Accrued wages payable	11,845	22,901	1,345	36,091	-
Interfund services provided and used	3,385	(15,785)	-	(12,400)	24,553
Pension benefit obligation	19,868	24,318	-	44,186	-
OPEB obligation	275,087	275,087	-	550,174	-
Other payable	(13,197)	580,912	-	567,715	(49,638)
Total adjustments	<u>1,259,047</u>	<u>3,475,005</u>	<u>103,628</u>	<u>4,837,680</u>	<u>(86,103)</u>
Net cash provided (used) by operating activities	<u>\$ 947,773</u>	<u>\$ 12,654,449</u>	<u>\$ 101,459</u>	<u>\$ 13,703,681</u>	<u>\$ (148,902)</u>
Noncash investing, capital and financing activities:					
Contributions of capital assets from private contractors	\$ 334,906	\$ 1,037,746	\$ -	1,372,652	\$ -

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

CITY OF LAFAYETTE
STATEMENT OF FIDUCIARY NET POSITION -
FIDUCIARY FUNDS
December 31, 2013

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
Cash and cash equivalents	\$ 1,964,289	\$ 918,073
Total assets	<u>\$ 1,964,289</u>	<u>\$ 918,073</u>
 <u>Liabilities</u>		
Trust payable	\$ -	\$ 4,719
Accounts payable	-	913,354
Total liabilities	<u>-</u>	<u>\$ 918,073</u>
 <u>Net Position</u>		
Net position held in trust for:		
Employees' pension benefits and other purposes	<u>1,964,289</u>	
Total net position	<u>\$ 1,964,289</u>	

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

CITY OF LAFAYETTE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
FIDUCIARY FUNDS
For the Year Ended December 31, 2013

<u>Additions</u>	<u>Pension Trust Funds</u>
Contributions:	
State Contributions	\$ 3,889,687
Total additions	<u>3,889,687</u>
 <u>Deductions</u>	
Benefits	3,947,526
Administrative expense	<u>9,319</u>
Total deductions	<u>3,956,845</u>
Changes in net position	(67,158)
Net position - beginning	<u>2,031,447</u>
Net position - ending	<u><u>\$ 1,964,289</u></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 was established under the laws of the State of Indiana. The City 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 City 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 City 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.

Related Organizations

The City's officials are also responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The City appoints the board members of the Lafayette Housing Authority, Tippecanoe

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 Position and the Statement of Activities) report information on all of the nonfiduciary activities of the City and its component unit. 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 60 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.

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.

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 Thoroughfares fund accounts for resources received through agreements with governmental agencies and spent to refurbish and upgrade sections of the City's roads.

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 subrecipients.

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 TIF Alloc Central Cnsldatd fund accounts for resources derived from improvements from designated areas within the City. Funds are utilized for further improvements within the designated area.

The City reports the following major proprietary funds:

The Water Utility fund accounts for the operation of the City's water distribution system.

The Wastewater Utility fund accounts for the operation of the City'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.

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

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.

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 "internal receivables/payables" (i.e., the current and noncurrent portion of interfund loans). All other outstanding balances between funds are 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 percent 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

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, 2013. 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, 2014. 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 Position and are recognized as taxes revenues on the Statement of Activities. The net amounts are recognized as receivables on the funds financial statements with an offset to unearned 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 Position because their use is limited by applicable bond covenants.

The financial statements report \$7,690,247 of restricted net position, of which, \$1,858,289 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.

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:

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
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 \$4,998,005. Of this 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.

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 Position. Bond premiums and discounts 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 expensed in the year of incurrence.

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 (GASB) Statement Number 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City classifies governmental fund balances as follows:

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.

10. Stabilization Arrangement

In 2005, the City created, under Indiana Code 36-1-8-5 a Rainy Day fund. The fund was to provide an operational safety net should circumstances arise that would leave the City without funds. These circumstances are not expected to occur routinely. Indiana Code allows for transfers, whenever the purposes of a tax levy have been fulfilled, of unused and unencumbered funds, to the Rainy Day fund. The Government Finance Officers Association recommends that a Rainy Day fund have a balance of up to 15 percent, or eight weeks of operational cash of the fund it is to supplement. The City, through an internal policy, has set a goal of 10 percent or just under six weeks of operational cash to act as a backup for the General fund. The current balance of \$2,804,302 is at 8 percent. Until the 10 percent target is reached, the fund will not be used. In the event it is to be used, it must go through the Common Council with proper appropriation methodology spelled out by the Indiana Code.

CITY OF LAFAYETTE
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

11. Changes in Accounting Standards

In 2013, the City of Lafayette implemented GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. This statement reclassifies certain items that were previously reported as assets and liabilities as outflows of resources or inflows of resources and is effective for the periods beginning after December 15, 2012. The implementation of GASB 65 resulted in \$1,924,534 in current-year bond issuance expenses for the City as well as the write-off of \$3,381,757 of preceding year's bond issuance cost which are represented as a restatement to beginning net position on the financial statements.

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, 2013, there were no funds that expenditures exceeded budgeted appropriations.

C. Deficit Fund Equity

At December 31, 2013, the following fund reported a deficit in fund equity:

Fund	Deficit
Government fund:	
General fund	\$ (420,734)

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund equity deficits arose primarily from expenses exceeding revenue due to revenues received being less than expected from certified property tax receipts received on December 27, 2013. This deficit will be repaid from future receipts.

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. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers public funds held in approved depositories.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of December 31, 2013, the City had the following investments:

Investment Deposit	\$ 5,500,000
Realized gains/losses	-
Unrealized gains/(losses) relating to instruments still held at the reporting date	<u>(21,791)</u>
Balance, end of year market value:	<u>\$ 5,478,209</u>

<u>Investment Type</u>	<u>Business-type Activities</u>	<u>Investment Maturities(in Years)</u>	
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-2</u>
U.S. government agency securities	\$ 5,363,948	\$ 1,099,801	\$ 4,264,147
Other Fixed Income	99,814	99,814	-
Money Markets	14,447	14,447	-

Investment Policies

Indiana Code 5-13 authorizes the City to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the unit to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the Federal Investment Company Act of 1940,

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

as amended. Investments in money market mutual funds may not exceed 50 percent of the funds held by the City and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise; or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the City may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the unit's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by the interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy for custodial credit risk for investments. At December 31, 2013, the City held investments in U.S. government agency securities in the amount of \$5,363,948. These investments were held by the counterparty's trust department or agent but not in the City's name.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City must follow state statute and limit the stated final maturities of the investments to no more than two years. The City does not have a formal investment policy for interest rate risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. U.S. government agency securities are implicitly guaranteed by the full faith and credit of the U.S. government and are recognized as one of the safest investments available. The City does not have a formal investment policy for credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Foreign Currency Risk

The City does not have a formal policy in regards to foreign currency risk. The City does not have any foreign currency.

B. Receivables

The Lahr loan receivable, reported in Proprietary Funds - Other Enterprises, 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 \$2,540,000 and monthly remittances are scheduled until 2018.

C. Capital Assets

Capital asset activity for the year ended December 31, 2013, was as follows:

<u>Primary government</u>	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activity:				
Capital assets, not being depreciated:				
Land	\$ 25,013,891	\$ -	\$ -	\$ 25,013,891
Construction in progress	9,301,808	12,089,897	3,937,825	17,453,880
Total capital assets, not being depreciated	<u>34,315,699</u>	<u>12,089,897</u>	<u>3,937,825</u>	<u>42,467,771</u>
Capital assets, being depreciated:				
Buildings	33,483,508	142,585	41,180	33,584,913
Improvements other than buildings	7,591,761	-	-	7,591,761
Machinery and equipment	6,268,371	493,758	676,766	6,085,363
Vehicles	12,428,514	2,108,756	1,672,804	12,864,466
Infrastructure	<u>192,254,994</u>	<u>2,123,024</u>	<u>985,824</u>	<u>193,392,194</u>
Totals	<u>252,027,148</u>	<u>4,868,123</u>	<u>3,376,574</u>	<u>253,518,697</u>
Less accumulated depreciation for:				
Buildings	(9,826,660)	(743,779)	-	(10,570,439)
Improvements other than buildings	(3,264,229)	(366,462)	-	(3,630,691)
Machinery and equipment	(5,455,682)	(327,340)	(452,642)	(5,330,380)
Vehicles	(10,812,241)	(727,355)	(613,099)	(10,926,497)
Infrastructure	<u>(57,220,478)</u>	<u>(3,057,411)</u>	<u>-</u>	<u>(60,277,889)</u>
Totals	<u>(86,579,290)</u>	<u>(5,222,347)</u>	<u>(1,065,741)</u>	<u>(90,735,896)</u>
Total capital assets, being depreciated, net	<u>165,447,858</u>	<u>(354,224)</u>	<u>2,310,833</u>	<u>162,782,801</u>
Total governmental activity capital assets, net	<u>\$ 199,763,557</u>	<u>\$ 11,735,673</u>	<u>\$ 6,248,658</u>	<u>\$ 205,250,572</u>

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activity:				
Capital assets, not being depreciated:				
Land	\$ 2,371,462	\$ 2,499	\$ -	\$ 2,373,961
Construction in progress	9,593,864	17,753,345	2,363,717	24,983,492
Total capital assets, not being depreciated	11,965,326	17,755,844	2,363,717	27,357,453
Capital assets, being depreciated:				
Buildings	18,456,919	-	-	18,456,919
Improvements other than buildings	215,016	270,231	-	485,247
Machinery and equipment	74,181,519	803,531	47,725	74,937,325
Vehicles	3,052,931	915,010	286,988	3,680,953
Infrastructure	164,501,181	2,270,269	-	166,771,450
Totals	260,407,566	4,259,041	334,713	264,331,894
Less accumulated depreciation for:				
Buildings	(3,888,395)	(399,696)	-	(4,288,091)
Improvements other than buildings	(79,256)	(10,522)	-	(89,778)
Machinery and equipment	(30,184,761)	(3,746,794)	(47,265)	(33,884,290)
Vehicles	(1,923,400)	(329,513)	(286,987)	(1,965,926)
Infrastructure	(24,277,482)	(3,160,149)	-	(27,437,631)
Totals	(60,353,294)	(7,646,674)	(334,252)	(67,665,716)
Total capital assets, being depreciated, net	200,054,272	(3,387,633)	461	196,666,178
Total business-type activity capital assets, net	\$ 212,019,598	\$ 14,368,211	\$ 2,364,178	\$ 224,023,631

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

Governmental activities:

General government	\$ 398,503
Public safety	669,581
Public works, including depreciation of general infrastructure assets	3,095,049
Health and sanitation	195,954
Culture and recreation	846,185
Community development	15,975
Internal service funds	1,100

Total depreciation expense - governmental activities **\$ 5,222,347**

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Business-type activities:	
Water	\$ 1,041,271
Wastewater	6,535,665
Other	<u>69,740</u>
Total depreciation expense - business-type activities	<u>\$ 7,646,676</u>
Grand Total	<u>\$ 12,869,023</u>

D. Construction Commitments

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

Project	Total Project Authorized	Expended to December 31, 2013	Committed	x Require Future Funding
Governmental Activities:				
Police Annex-Armory	\$ 400,911	\$ 400,911	\$ -	
Myer's Pedestrian Bridge Rehab	1,000,000	84,234	915,766	x
Union Street Drainage	733,557	733,557	-	
Fire Grant 37K Fairfield Twp	37,000	33,378	3,622	x
Concord Road Reconstruction	6,600,000	1,312,217	5,287,783	x
Maple Point Extension	3,500,000	2,157,891	1,342,109	x
Creasy Lane/SR 26 Land Acquisition	50,369	2,021	48,348	x
Old Romney Road	4,550,000	2,304,516	2,245,484	x
VPM from Concord to US 52	5,400,000	3,568,001	1,831,999	x
S18th Street Widening	1,460,000	160,792	1,299,208	x
Sagamore Parkway Reconstruction	20,000,000	739,574	19,260,426	x
South Street Reconstruction	1,000,000	538,469	461,531	x
Union Street Resurfacing	925,000	923,370	1,630	
South Tipp Park	70,000	28,930	41,070	x
Zoo Education Building	31,649	31,649	-	
Riverfront Development	505,000	18,259	486,741	x
Annexation	26,424	26,424	-	
Streetscape Alabama/3rd Street	1,444,000	1,443,543	457	
Trail Development	250,000	232,468	17,532	x
Midwest Rentals Redevelopment	300,000	294,538	5,462	x
Queen Ann Courts	750,000	741,129	8,871	x
Upper Berlowitz Master Plan	109,100	36,749	72,351	x
Concord/Sequoia Drainage	1,500	1,165	335	x
North Street Reconstruction & Stormwater	1,200,000	1,159,319	40,681	
Sidewalks N26th Cason to Union	99,950	72,507	27,443	
Citywide Trail Master Plan	150,000	35,620	114,380	x
Sidewalk SR38 From Kingsway to Creasy	300,000	76,562	223,438	x
VMP/Wabash National Traffic Signal	126,000	125,219	781	
Vehicle Purchases 2013	685,000	170,869	514,131	x
Totals Governmental Funds	<u>\$ 51,705,460</u>	<u>\$ 17,453,881</u>	<u>\$ 34,251,579</u>	

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Project	Total Project Authorized	Expended to December 31, 2013	Committed	x Require Future Funding
Enterprise Funds:				
Valley Street Drainage	\$ 4,000,000	\$ 143,475	\$ 3,856,525	x
Union Street Drainage	730,000	236,273	493,727	x
Parking Garage System	117,909	52,596	65,313	
Sagamore Parkway Reconstruction	50,360	50,360	-	
Rome Drive Land	40,000	1,928	38,072	x
Utility Service Area 21	8,500,000	567,374	7,932,626	x
Cincinnati St CS003 Interceptor Sewer	1,600,000	1,543,978	56,022	x
Solar Power WWTP	4,000,000	94,314	3,905,686	x
Durkee's Run CSO	29,000,000	17,393,433	11,606,567	x
Stormwater Equip Storage Building	970,200	822,706	147,494	x
Sewer Line Preventative Maint	200,000	169,027	30,973	x
Eastland Utility Drive Extension	64,000	53,437	10,563	
Primary Tank Rebuild	200,000	104,692	95,308	x
Co-Generation	100,000	20,174	79,826	x
Phosphrous	2,000,000	52,132	1,947,868	x
Elmwood & 27th Street	2,757,500	113,249	2,644,251	x
Concord/Sequoia Drainage	150	148	2	
North Street Reconstruction & Stormwater	1,400,000	1,180,369	219,631	
North 9th Wetland Mitigation	37,950	22,100	15,850	x
New Wellfield Investigation	800,000	766,177	33,823	x
Glick Wellfield Generator	16,855	16,855	-	x
Onsite Chloine Generation-Glick	355,000	159,546	195,454	x
SCADA-Water Works	327,381	142,243	185,138	x
Meter Change Out	1,277,830	1,276,904	926	x
Total Enterprise Funds	58,545,135	24,983,490	33,561,645	
Grand Total for CWIP	\$ 110,250,595	\$ 42,437,371	\$ 67,813,224	

E. Interfund Balances and Activities

1. Interfund Services Provided/Used

The composition of interfund services provided/used other funds as of the end of the year is as follows:

<u>Interfund Services Used</u>	<u>Interfund Services Provided</u>						<u>Total</u>
	<u>General</u>	<u>Motor Vehicle</u>	<u>Non-Major Government</u>	<u>Water</u>	<u>Wastewater</u>	<u>Internal Service</u>	
Governmental:							
General	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 251,277	\$ 251,277
Motor vehicle	-	-	-	-	-	124,930	124,930
Parks and recreational	-	-	-	-	-	17,393	17,393
EDIT	-	-	-	-	-	441	441
Non-major governmental	-	-	-	-	-	145	145
Proprietary:							
Water	-	-	-	-	4,094	31,682	35,776
Wastewater	-	-	-	1,547	4,544	46,884	52,975
Internal Service	56	-	68	-	-	-	124
Total	\$ 56	\$ -	\$ 68	\$ 1,547	\$ 8,638	\$ 472,752	\$ 483,061

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Interfund services provided/used by resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

2. Interfund Transfers

There were no interfund transfers for the year end in the fund financial statements.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt payments become due, (3) use unrestricted revenues from the General fund and EDIT fund to finance various programs accounted for in other funds in accordance with statutes or budgetary authorization, and (4) transfer of assets from the fund that purchase or constructs the asset to the fund that will maintain the asset in accordance with statutes or budgetary authorizations.

F. Leases

1. Operating Leases

The City has no operating leases at year end.

2. Capital Leases

The City has entered into various capital leases for vehicles and other equipment. Future minimum lease payments under these capital leases at year end are as follows:

	Government Activities
2014	\$ 357,583
2015	174,575
Total minimum lease payments	532,158
Less amount representing interest	19,982
Present value of net minimum lease payments	\$ 512,176

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

	Governmental Activities
Vehicles	\$ 1,316,857
Accumulated depreciation	(759,240)
Total	\$ 557,617

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

G. Short-Term Liabilities

The City had no short-term debt activity during the year.

H. 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	Unamortized Premium (Discount)	Amount
Park district refunding bonds of 2012	.96% to 2.0%	<u>\$ 4,955,000</u>	<u>\$ 1,818</u>	<u>\$ 4,956,818</u>

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

	Governmental Activities	
	Principal	Interest
2014	\$ 880,000	\$ 54,348
2015	885,000	45,876
2016	895,000	37,380
2017	910,000	26,374
2018	920,000	15,248
2019-2023	<u>465,000</u>	<u>4,312</u>
Totals	<u>\$ 4,955,000</u>	<u>\$ 183,538</u>

2. Revenue Bonds - Business-Type Activities

The City issues bonds where the City pledges income derived from the acquired or constructed assets net of specified operating expenditures to pay debt service. Proceeds from the 2006 bond provided financing for a new pumping station and a new elimination sewer. Proceeds from the 2008 bond provided financing for the construction and installation of energy conservation measures to the City's municipal sewage works.

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Revenue bonds outstanding at year end are as follows:

Purpose	Interest Rates	Balance at December 31	Less: Unamortized Premium (Discount)	Amount
Water pollution control refunding revenue bonds of 2006	3.5% to 4.5%	24,865,000	(728,634)	24,136,366
Water pollution control revenue bonds of 2008	3.5% to 4%	3,720,000	(52,410)	3,667,590
Water pollution control revenue bonds of 2013	3.0% to 3.25%	22,485,000	506,180	22,991,180
Water pollution control refunding revenue bonds of 2013	2.0% to 5.0%	55,610,000	6,837,714	62,447,714
Totals		<u>\$ 106,680,000</u>	<u>\$ 6,562,850</u>	<u>\$ 113,242,850</u>

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

	Business-Type Activities	
	Principal	Interest
2014	\$ 5,720,000	\$ 3,947,515
2015	6,375,000	3,772,002
2016	6,540,000	3,583,678
2017	6,775,000	3,367,774
2018	7,005,000	3,125,931
2019-2023	37,110,000	11,022,483
2024-2028	29,660,000	3,079,512
2029-2033	6,755,000	726,725
2034	<u>740,000</u>	<u>12,025</u>
Totals	<u>\$ 106,680,000</u>	<u>\$ 32,637,645</u>

3. Revenue Bonds - Governmental 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 City has pledged a portion of Creasy/Brady/Treece Economic Development Area revenues to repay the tax increment bonds 2010 A & B Economic Development lease rental refunding bonds, the 2013A Redevelopment Authority bonds, as well as the 2013 Economic Development bond(LUEA).

The City has pledged a portion of its distributive share of the Tippecanoe County Economic Development Income Tax to repay the Redevelopment Authority lease rental refunding bond of 2010B, 2010C, and 2013B.

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

The City has pledged a portion of Twyckenham Economic Development Area revenues to repay the 2010C Economic Development lease rental refunding.

The City has pledged a portion of the Tax Increment revenues collected in the Central Redevelopment Area to repay the 2012 Redevelopment District refunding bond.

The City has pledged a portion of the Central Tax Increment revenue for the repayment of the Redevelopment Authority lease rental refunding bond of 2010A.

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:

Purpose	Interest Rates	Balance at December 31	Unamortized Premium (Discount)	Amount
Economic Development lease rental refunding bonds series 2010 A	1.0% to 2.75%	\$ 580,000	\$ (4,652)	\$ 575,348
Economic Development lease rental refunding bonds series 2010 B	2.0% to 4.0%	2,325,000	41,404	2,366,404
Economic Development lease rental refunding bonds series 2010 C	2.0% to 3.2%	6,835,000	(46,595)	6,788,405
Redevelopment Authority lease revenue refunding bond series 2010 A	2.0% to 3.5%	1,920,000	(12,356)	1,907,644
Redevelopment Authority lease revenue refunding bond series 2010 B	2.0% to 3.25%	3,270,000	(4,655)	3,265,345
Redevelopment Authority lease revenue refunding bond series 2010 C	2.0% to 4.0%	4,705,000	71,419	4,776,419
Redevelopment Authority lease revenue refunding bond series 2013 A	1.75%	6,570,000	51,204	6,621,204
Redevelopment Authority lease revenue refunding bond series 2013 B	2.0%	6,125,000	(53,592)	6,071,408
Redevelopment District refunding bonds of 2012	1.64%	3,310,000	-	3,310,000
Economic Development revenue bond series 2013 (LUEA)	2.0% to 3.0%	1,500,000	-	1,500,000
Totals		<u>\$ 37,140,000</u>	<u>\$ 42,177</u>	<u>\$ 37,182,177</u>

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

	Governmental Activities	
	Principal	Interest
2014	\$ 5,870,000	\$ 876,877
2015	6,230,000	763,942
2016	6,160,000	623,412
2017	5,015,000	467,484
2018	3,030,000	353,022
2019-2023	9,150,000	705,570
2024-2028	<u>1,685,000</u>	<u>48,557</u>
Totals	<u>\$ 37,140,000</u>	<u>\$ 3,838,864</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, 2001, and 2009 loans are \$59,630,000, \$12,000,000, and \$1,509,000, respectively. During 2013, the principal balances for the 2000 and the 2001 were refinanced by Sewage revenue bond of 2013. At year end, the 2009 loan balance was \$1,317,000.

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 \$2,580,000.

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

	Business-Type Activities	
	Principal	Interest
2014	\$ 140,000	\$ 120,628
2015	147,000	116,998
2016	819,000	112,865
2017	871,000	90,447
2018	924,000	64,613
2019-2023	383,000	150,087
2024-2028	459,000	74,842
2029-2033	154,000	5,592
Totals	\$ 3,897,000	\$ 736,072

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:

	Governmental Activities	
	Principal	Interest
2014	\$ 534,825	\$ 18,923
2015	366,853	10,651
2016	136,606	2,458
2017	-	-
Totals	\$ 1,038,284	\$ 32,032

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)

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 A Redevelopment Authority lease rental -\$3,360,000	2,370,000
1995 Redevelopment Authority lease rental -\$2,300,000	960,000
1996 Redevelopment District Parking Facility Revenue Bonds - \$2,600,000	1,197,003
1997 Redevelopment Authority lease rental refunding -\$3,925,000	620,000
1998 Redevelopment Authority lease rental refunding -\$4,485,000	2,970,000
1998 Park District Bonds - \$5,500,000	2,500,000
1999 Redevelopment Authority lease rental refunding -\$7,980,000	5,235,000
2001 A Redevelopment Authority lease rental refunding -\$3,500,000	2,200,000
2001 B Redevelopment Authority lease rental refunding -\$5,000,000	3,140,000
2001 Park District Bonds - \$1,750,000	1,465,000
2002 Redevelopment Authority lease rental refunding -\$8,500,000	5,880,000
2002 Sewage Works revenue bonds - \$30,000,000	23,935,000
2004 Park District Bonds - \$1,730,000	1,610,000
2004 A Tax Increment Revenue Bonds - \$2,145,000	1,750,000
2004 B Tax Increment Revenue Bonds - \$735,000	695,000
2004 Redevelopment Authority Lease Rental Revenue Bond - \$4,380,000	4,260,000
2006 Sewage Works Refunding Revenue Bond - \$22,445,000	22,421,435

7. Defeased Debt

Redevelopment Authority Lease Rental Refunding Bonds of 2013B

On April 5, 2013, the Lafayette Redevelopment Authority, a blended component unit of the City of Lafayette, issued \$6,505,000 of Lease Rental Refunding Bonds 2013B. Part of this issue advance refunded the Lease Rental Refunding Bonds of 2003B for \$2,130,000. An irrevocable trust with an escrow agent was established to provide for the payoff of the above mentioned bonds on January 15, 2015. As a result, the refunded Bonds were considered to be defeased and are no longer reported as a liability in the City's financial statements.

The Redevelopment Authority advance refunded the bonds to reduce its total debt service payments in the future by approximately \$1,000,128 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$882,757.

Sewage Works Refunding Revenue Bond of 2013

On May 9, 2013, the City of Lafayette issued \$58,205,000 of Sewage Works Refunding Revenue Bonds of 2013. This issue advance refunded the Sewage Works Revenue Bonds of 2006. An irrevocable trust with an escrow agent was established to provide for the payoff of the above mentioned bonds on January 1, 2014. As a result, the refunded bonds were considered to be defeased and are no longer reported as a liability in the City's financial statements.

The City of Lafayette advance refunded the bonds to reduce its total debt service payments in the future by approximately \$2,120,937 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,713,218.

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

8. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2013, was as follows:

<u>Primary government</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds	\$ 5,880,000	\$ -	\$ 925,000	\$ 4,955,000	\$ 880,000
Less deferred amount on refunding	-	-	-	-	-
Total general obligation bonds payable	<u>5,880,000</u>	<u>-</u>	<u>925,000</u>	<u>4,955,000</u>	<u>880,000</u>
Revenue bonds	41,320,000	15,305,000	19,485,000	37,140,000	5,870,000
Less deferred amount on refunding	<u>(62,317)</u>	<u>-</u>	<u>(20,140)</u>	<u>(42,177)</u>	<u>-</u>
Total revenue bonds payable	41,382,317	15,305,000	19,505,140	37,182,177	5,870,000
Notes payable	1,292,158	170,869	424,744	1,038,283	534,825
Capital leases	844,987	-	332,812	512,175	342,570
Other postemployee benefit obligations	225,295	275,086	-	500,381	-
Net pension obligations	<u>22,737,396</u>	<u>-</u>	<u>330,802</u>	<u>22,406,594</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 72,362,153</u>	<u>\$ 15,750,955</u>	<u>\$ 21,518,498</u>	<u>\$ 66,594,610</u>	<u>\$ 7,627,395</u>
Business-type activities:					
Revenue bonds payable:					
Water Utility	\$ -	\$ -	\$ -	\$ -	\$ -
Wastewater Utility	53,690,000	80,690,000	27,700,000	106,680,000	5,720,000
Less deferred amount on refunding	<u>(1,118,870)</u>	<u>8,167,926</u>	<u>486,206</u>	<u>6,562,850</u>	<u>-</u>
Total revenue bonds payable	52,571,130	88,857,926	28,186,206	113,242,850	5,720,000
Loans payable	48,362,080	-	44,465,080	3,897,000	141,000
Other postemployee benefit obligations	450,589	550,174	-	1,000,763	-
Net pension obligations	<u>198,968</u>	<u>44,004</u>	<u>-</u>	<u>242,972</u>	<u>-</u>
Total business-type activities long-term liabilities	<u>\$ 101,582,767</u>	<u>\$ 89,452,104</u>	<u>\$ 72,651,286</u>	<u>\$ 118,383,585</u>	<u>\$ 5,861,000</u>

9. 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 2013:

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Beginning balance, January 1	\$ 6,355,018
New loans	441,517
Amounts forgiven	(921,913)
Principle amount paid on loans	<u>(73,718)</u>
Ending balance, December 31	<u>\$ 5,800,904</u>

10. Restricted Assets

1. The City has restricted assets for the following fund accounts.

Donor Designated Use

A special donation designated for a specific project that will be constructed in 2014.

Intergovernmental Cash Account

Cash in the City's checking account that is to be spent on projects designated by Tippecanoe County according to our agreement with them and our McCarty TIF fund.

2. The City has restricted assets for the following Propriety (Enterprise) fund accounts.

Customer Deposits

Customer deposits are refundable amounts received from customers of Water Utility to insure nonpayment of billings or water main damages.

Debt Service Reserve

An amount of money that is required to maintain the reserve account in the full amount of a sum equal to the least of (i) the maximum semiannual debt reserve on the bonds, or (ii) 125 percent of the average annual debt service on the bonds, or (iii) 10 percent of the proceeds of the bond.

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

Asset Type/Account	Governmental Funds			Enterprise Funds		
	Parks and Recreation	TIF Alloc McCarty	Total	Water Utility	Wastewater Utility	Total
Donor designated use	\$ 370	\$ -	\$ 370	\$ -	\$ -	\$ -
Intergovernmental cash account	-	1,857,919	1,857,919	-	-	-
Customer deposits	-	-	-	134,882	-	134,882
Debt service reserve	-	-	-	-	5,697,076	5,697,076
Total restricted assets	\$ 370	\$ 1,857,919	\$ 1,858,289	\$ 134,882	\$ 5,697,076	\$ 5,831,958

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 prior to 2012. The risk financing fund was accounted for in the Dental/Vision Insurance fund, an internal service fund, where assets are set aside for claim settlements. A premium was charged to each fund that accounts for dental and vision coverage. The total charge allocated to each of the funds was calculated using trends in actual claims experience. The plan was administered by a third party. Provisions were also made for unexpected and unusual claims. The City entered into a fully insured plan in January of 2012 and therefore closed out the fund after all pending claims were paid in 2012.

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

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

	2012	2013
Unpaid claims, beginning of fiscal year	\$ -	\$ -
Incurred claims and changes in estimates	27,755	122
Claim payments	(27,755)	(122)
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.

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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:

	2012	2013
Unpaid claims, beginning of fiscal year	\$ -	\$ -
Incurred claims and changes in estimates	419,661	427,406
Claim payments	(419,661)	(427,406)
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.

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

	2012	2013
Unpaid claims, beginning of fiscal year	\$ -	\$ -
Incurred claims and changes in estimates	68,481	40,546
Claim payments	(68,481)	(40,546)
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 \$687,558. No amount was due as of the balance sheet date.

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Subsequent Events

Information Technology:

In January of 2014, the City signed a contract with Tyler Technologies to purchase and install a new ERP software system. The modules purchased include a complete financial package (General Ledger, Purchasing, Payroll, HR, Inventory, Fleet Maintenance, and Utility Billing). It will replace a New World Systems package that has been in place since 1999. Although NWS has been a solid package, technology has surpassed its capabilities and the new technology is anxiously awaited. This software will allow the City to move to, as close as possible, a paperless mode of operation. Tentative implementation dates are January 2, 2015, for finance; April 1, 2015, for Payroll and HR; and April 1, 2016, for Utility Billing.

Parking Operations:

In January of 2014, the City took over the operation of the Parking Garage and the enforcement of City parking regulations. Previously, a third-party management firm was hired to perform those duties and paid the City a percentage of the net revenues from the garage, but nothing from parking violations until a preset violation figure was reached. The City has purchased a state of the art LPR software system with a camera car and handheld computer units to automate the enforcement of parking regulations.

Utility Projects:

The Durkees Run CSO project, which eliminates 1,000 acres of combined sewer overflow areas mandated by IDEM, continues toward its completion date of 2015. The project is financed by a revenue bond of \$30,000,000 and is divided into 3 phases. Phase I and II cost approximately \$22,500,000. Phase III will be an estimated \$7,500,000 and is looking to start this summer. Bowen Engineering has been awarded the Design Build contract under an Indiana Guaranteed Savings Contract covered by Indiana Code 36-1-12. This type of contract has many advantages including: the City has more control over the project, a guaranteed maximum price with no change orders, shifts the risk to the design build team, allows for open-book pricing and savings must be greater than the cost over 20 years. Additionally, the savings must be documented by the Indiana Department of Energy per the Indiana Code. The project is moving along on schedule as Phase I is complete and Phase II is approximately 75 percent complete.

Road Projects:

In 2012, Sagamore Parkway, the U.S. 52 bypass, and Indiana 26 from I-65 to the Wabash River became part of the street system of the City. The City received \$21,000,000 from INDOT to repave Sagamore Parkway and upgrade the signal system on Highway 26. The signal project has been completed. The engineering is finished with the first phase of paving project and land purchasing has begun. Once completed, bidding for the first phase will take place this summer and engineering for the second phase will begin. Paving for the third phase will begin when the storm water and sanitary sewer flow is separated with the completion of Phase 2 of the Durkees Run Utility project.

Economic Development:

In March 2014, General Electric announced the City would be the location for a new jet engine assembly plant with an investment of \$100,000,000 in plant and equipment. In 2013, bonds were issued in the amount of \$1,500,000 to build a co-working space for entrepreneurial ventures in the

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

downtown area. This center will follow a formula used throughout the country and state with great success to assist fledging businesses in their effort to develop and bring their products and or services to market and has its official opening in April 2014. This is a taxable bond and will be repaid in 2016 from TIF revenues.

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 \$2,655,000.

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. The City, the state, or any political subdivision is not 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 \$1,260,000.

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.

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.

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, 2013, the Southeast Industrial TIF fund had \$2,034,946 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, 2013, the TIF County's South East fund had \$1,857,919 held for these capital projects.

G. Other Postemployment Benefits

Single-Employer Defined Benefit Healthcare Plan

Plan Description

In addition to the pension benefits described below, effective January 1, 2004, the City provides a portion of postemployment health insurance benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the primary government. The City is a member of the Indiana Association of Cities and Towns Medical Trust whose health plans are operated under a self-insured arrangement. 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.

Funding Policy

Currently, 30 employees meet the above mentioned eligibility requirements. The primary government provides 100 percent of these postemployment benefits. Expenditures for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended December 31, 2013, expenditures of \$800 for police, \$2,900 for fire, and \$1,200 for motor vehicle were recognized for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

This Other Postemployment Benefit Cost (OPEB) had not been calculated prior to 2012. The City employed an actuarial firm to complete the GASB 45 required calculations and these calculations determined an Annual Required Contribution (ARC) in accordance with the parameters of the GASB statement. The ARC 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 over a period not to exceed 30 years. The following table, broken out by Governmental and Business type, shows the components of the City's annual OPEB cost for the year, the amount contributed to the plan and the net obligation at the end of the year. According to GASB45 regarding OPEB:

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Governmental	Business-type	Total
Annual required contribution	\$ 333,402	\$ 666,805	\$ 1,000,207
Interest to end of year	10,138	20,277	30,415
Adjustment to annual required contribution	(9,603)	(19,205)	(28,808)
Annual OPEB cost	333,937	667,877	1,001,814
Estimated annual employer contribution for pay-go cost	(58,851)	(117,703)	(176,554)
Estimated annual employer contribution for pre-funding	-	-	-
Increase (decrease) in OPEB costs	275,086	550,173	825,260
Net OPEB obligation, beginning of year	225,295	450,589	675,884
Net OPEB obligation, end of year	<u>\$ 500,381</u>	<u>\$ 1,000,762</u>	<u>\$ 1,501,144</u>

In a similar fashion the City's annual OPEB cost, the percentage of the annual OPEB cost contributed by the City and the net OPEB obligation for 2013 is shown in the following table:

	Year Ending	Cost	Contributed	Obligation
Other Postemployee Benefits (OPEB)	12-31-2012	\$ 836,388	19.2%	\$ 675,884
(2012 first year of actuarial valuation)	12-31-2013	1,001,814	17.6%	1,501,144

Funding Status and Funding Progress

As of December 31, 2013, the most recent actuarial valuation date, the plan was unfunded. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. This includes assumptions about future employment, mortality, and the healthcare cost trend. These assumptions are subject to continual revision as actual results are compared with past expectations and new estimates are determined.

Actuarial Methods and Assumptions

The actuarial methods and assumptions used include techniques that are designed to deduce the effects of short-term volatility in actuarial accrued liabilities and actuarial value of assets, consistent with the long-term perspective of the calculations. These assumptions include an annual healthcare cost trend rate of 10 percent initially, reduced to an ultimate rate of 5 percent after 10 years, and an inflation rate of 3 percent. The Unfunded Actuarial Accrued Liability (UAAL) is being amortized as a level percentage of pay over 30 years based on an open group.

The City's actuarial report of other postemployment benefits is available by contacting the City of Lafayette Controller's office.

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

H. Pension Plans

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

a. Indiana Public Retirement System

Plan Description

The primary government contributes to the Indiana Public Retirement System (INPRS), a defined benefit pension plan. INPRS 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 Retirement System (INPRS), most requirements of the system and give the City authority to contribute to the plan. The INPRS 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 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (317) 526-1687

Funding Policy and Annual Pension Cost

INPRS members are required to contribute 3 percent of their annual covered salary. The City is required to contribute at an actuarially determined rate; the current rate is 11 percent of annual covered payroll. The contribution requirements of the plan members and the City are established and may be amended by the Board of Trustees of INPRS.

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.

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute. The primary government's annual pension cost and related information as provided by the actuary is presented in this note.

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.

On Behalf Payments

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

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 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

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute. The primary government's annual pension cost and related information, as provided by the actuary, is presented in this note.

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.

On Behalf Payments

The 1937 Firefighters' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2013, was comprised of the following:

	<u>1925 Police Officers' Pension</u>	<u>1937 Firefighters' Pension</u>
Retires and beneficiaries currently receiving benefits	51	83
Terminated employees entitled to but not yet receiving benefits	-	-
Current active employees	-	-

Actuarial Information for the Above Plans

	<u>Annual Pension Cost and Net Pension Obligation</u>		
	<u>City PERF</u>	<u>1925 Police Officers Pension</u>	<u>1937 Firefighters' Pension</u>
Annual required contribution	\$ 1,369,543	\$ 1,465,500	\$ 2,538,100
Interest on net pension obligation	35,343	413,300	931,500
Adjustment to annual required contribution	<u>(41,140)</u>	<u>(572,011)</u>	<u>(1,289,300)</u>
Annual pension cost	1,363,746	1,306,789	2,180,300
Contributions made	<u>1,247,947</u>	<u>1,406,303</u>	<u>2,483,384</u>
Increase (decrease) in net pension obligation	115,799	(99,514)	(303,084)
Net pension obligation (asset), beginning of year 06-30-11	<u>523,602</u>	<u>6,887,926</u>	<u>15,524,837</u>
Net pension obligation, end of year 06-30-12	<u>\$ 639,401</u>	<u>\$ 6,788,412</u>	<u>\$ 15,221,753</u>

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

<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	06-30-13	01-01-13	01-01-13
Actuarial cost method	Entry age normal cost	Entry age normal cost	Entry age normal cost
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	4 year smoothing of gains/losses on market value with a 20% corridor	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)	6.75%	6.00%	6.00%
Projected future salary increases	3.25% to 4.50%	3.25%	3.25%
Cost-of-living adjustments	1.00%	2.25% & 3.25%	2.25% & 3.25%
Retirement	Based on 2005-10 experience	Based on 1976 Study	Based on 1976 Study

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
INPRS	06-30-2011	\$ 1,223,375	70.0%	\$ 182,969
	06-30-2012	1,301,214	74.0%	523,602
	06-30-2013	1,363,746	92.0%	639,401
1925 Police Officers' Pension Plan	12-31-2011	1,528,600	95.0%	7,008,536
	12-31-2012	1,328,970	109.0%	6,887,926
	12-31-2013	1,306,789	108.0%	6,788,412
1937 Firefighters' Pension Plan	12-31-2011	2,398,900	97.0%	16,108,098
	12-31-2012	2,165,746	127.0%	15,524,837
	12-31-2013	2,180,300	114.0%	15,221,753

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funded status and Funding Progress for the Above Plans

The funded status of each plan as of the most recent actuarial valuation date is as follows:

	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)	(Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
Public Employees Retirement Fund	06-30-13	\$ 11,441,602	\$ 20,139,710	\$ (8,698,108)	57%	\$ 14,416,207	60%
1925 Police Officers Pension Plan	01-01-13	984,459	17,647,200	(16,662,741)	6%	-	0%
1937 Firefighters' Pension Plan	01-01-13	1,046,988	30,562,700	(29,515,712)	0%	-	0%

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The primary government contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Retirement System (INPRS) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

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

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (317) 526-1687

Funding Policy

Plan members are required to contribute 6 percent of the first-class police officers' and firefighters' salary and the primary government is to contribute at an actuarially determined rate. The current rate is 19.7 percent 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 INPRS.

AUDITEE PREPARED SCHEDULES

The subsequent schedules were provided by management of the City. The schedules are presented as intended by the City.

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 (Shortfall) AAL as a Percentage of Covered Payroll ((a-b)/c)
06-30-09	\$ 13,273,099	\$ 15,460,528	\$ (2,187,429)	86%	\$ 13,628,273	(16%)
06-30-10	11,811,723	17,068,590	(5,256,867)	69%	13,307,268	(40%)
06-30-11	10,329,132	18,470,075	(8,140,943)	56%	13,875,392	(59%)
06-30-12	9,570,075	20,026,771	(10,456,695)	48%	14,536,933	(72%)
06-30-13	11,441,602	20,139,710	(8,698,107)	57%	14,416,207	(60%)

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 (Shortfall) AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-07	\$ 861,582	\$ 21,078,300	\$ (20,216,718)	4%	\$ 95,400	(21,192%)
01-01-08	985,499	20,166,600	(19,181,101)	5%	-	0%
01-01-09	470,188	22,762,300	(22,292,112)	2%	-	0%
01-01-10	553,002	21,281,700	(20,728,698)	3%	-	0%
01-01-11	1,060,791	21,111,900	(20,051,109)	5%	-	0%
01-01-12	1,004,738	18,185,200	(17,180,462)	6%	-	0%
01-01-13	984,459	17,647,200	(16,662,741)	6%	-	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)
01-01-07	\$ 1,562,361	\$ 38,678,700	\$ (37,116,339)	4%	\$ 572,700	(6,481%)
01-01-08	1,610,698	37,090,000	(35,479,302)	4%	248,200	(14,295%)
01-01-09	558,942	33,879,700	(33,320,758)	2%	-	0%
01-01-10	1,123,830	34,162,900	(33,039,070)	3%	102,300	33,395%
01-01-11	1,216,016	33,683,000	(32,466,984)	4%	106,300	31,674%
01-01-12	840,959	30,862,600	(30,021,641)	3%	-	0%
01-01-13	1,046,988	30,562,700	(29,515,712)	3%	-	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
12-31-11	\$ 1,682,200	0%	87%
12-31-12	1,478,100	0%	98%
12-31-13	1,465,500	0%	96%

1937 Firefighters' Pension Plan

Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	
		City	State
12-31-11	\$ 2,714,500	0%	85%
12-31-12	2,508,500	0%	110%
12-31-13	2,538,100	0%	98%

CITY OF LAFAYETTE
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULES
 GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
 For the Year Ended December 31, 2013

	General Fund				Highway Fund (MVH & LRS) Major Special Revenue Fund			
	Budgeted Amounts		Actual	Variance	Budgeted Amounts		Actual	Variance
	Original	Final	Budgetary	With Final	Original	Final	Budgetary	With Final
			Basis	Budget			Basis	Budget
		Amounts				Amounts	Favorable	(Unfavorable)
Revenues:								
Taxes:								
Property Taxes	\$ 20,546,316	\$ 20,546,316	\$ 18,169,975	\$ (2,376,341)	\$ 2,324,787	\$ 2,324,787	\$ 2,054,674	\$ (270,113)
Licenses and permits	648,000	648,000	177,941	(470,059)	-	-	-	-
Intergovernmental	8,107,036	8,107,036	8,249,843	142,807	2,534,795	3,334,795	4,090,396	755,601
Charges for services	2,728,000	2,728,000	3,292,416	564,416	-	-	65,482	65,482
Fines and forfeits	126,000	126,000	162,230	36,230	-	-	-	-
Other	295,000	295,000	184,490	(110,510)	-	-	213,513	213,513
TOTAL REVENUES	32,450,352	32,450,352	30,236,895	(2,213,457)	4,859,582	5,659,582	6,424,065	764,483
Expenditures:								
Current:								
General government:								
Personal Services	1,414,890	1,414,890	1,295,494	119,396	-	-	-	-
Supplies	99,555	99,555	127,904	(28,349)	-	-	-	-
Other Srv & Chrgs	1,219,880	1,219,880	1,046,714	173,166	-	-	-	-
Capital Outlays	-	-	-	-	-	-	-	-
Total general government	2,734,325	2,734,325	2,470,112	264,213	-	-	-	-
Public safety:								
Personal Services	25,938,375	25,938,375	25,644,958	293,417	-	-	-	-
Supplies	924,750	973,668	922,572	51,096	-	-	-	-
Other Srv & Chrgs	341,100	342,250	312,731	29,519	-	-	-	-
Capital Outlays	101,000	101,000	764	100,236	-	-	-	-
Total public safety	27,305,225	27,355,293	26,881,025	474,268	-	-	-	-
Highways and streets:								
Personal Services	-	-	-	-	3,539,925	3,539,925	3,380,136	159,789
Supplies	-	-	-	-	838,900	882,911	965,137	(82,226)
Other Srv & Chrgs	-	-	-	-	261,800	261,800	169,678	92,122
Capital Outlays	-	-	-	-	500,000	1,300,000	1,397,296	(97,296)
Total highways and streets	-	-	-	-	5,140,625	5,984,636	5,912,247	72,389
Sanitation:								
Personal Services	1,570,250	1,570,250	1,522,429	47,821	-	-	-	-
Supplies	333,500	333,500	385,648	(52,148)	-	-	-	-
Other Srv & Chrgs	5,500	5,500	6,731	(1,231)	-	-	-	-
Capital Outlays	-	-	-	-	-	-	-	-
Total sanitation	1,909,250	1,909,250	1,914,808	(5,558)	-	-	-	-
TOTAL EXPENDITURES	31,948,800	31,998,868	31,265,945	732,923	5,140,625	5,984,636	5,912,247	72,389
Net change in fund balances	501,552	451,484	(1,029,050)	(2,946,380)	(281,043)	(325,054)	511,818	692,094
Fund balances - beginning	368,868	368,868	368,868	-	1,811,252	1,811,252	1,811,252	-
Fund balances - December 31	\$ 870,420	\$ 820,352	\$ (660,182)	\$ (1,480,534)	\$ 1,530,209	\$ 1,486,198	\$ 2,323,070	\$ 836,872

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 FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for Each Major Federal Program

We have audited the City of Lafayette's (City) compliance with the types of compliance requirements described in the *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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied in all material respects with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

Report on Internal Control Over Compliance


Management of the City is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2013-002 and 2013-003 to be material weaknesses.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

July 23, 2014

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were prepared by management of the City. The schedule and notes are presented as intended by the City.

CITY OF LAFAYETTE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through Tree Lafayette Urban and Community Forestry Program	10.675	E9-13-TIOT6	\$ 10,575
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Direct Grant			
CDBG - Entitlement Grants Cluster			
Community Development Block Grants/Entitlement Grants	14.218	B09-MC-18008 B10-MC-18008 B11-MC-18008 B12-MC-18008 B13-MC-18008	2,500 256 78,009 468,525 91,458
Total for cluster			<u>640,747</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	NSP-009-015	<u>43,090</u>
Total for cluster			<u>43,090</u>
Direct Grant			
HOME Investment Partnerships Program	14.239	M08-DC-180212 M10-DC-180212 M11-DC-180212 M12-DC-180212 M13-DC-180212	5,000 38,836 344,509 83,747 41,633
Total for program			<u>513,724</u>
Pass-Through Indiana Housing and Community Development Authority Shelter Plus Care	14.238	SC-008-010 SC-013-0146	87,188 17,701
Total for program			<u>104,889</u>
Continuum of Care Program	14.267	SC-013-0155-1	<u>83,302</u>
Total for federal grantor agency			<u>1,385,752</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant			
JAG Program Cluster			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-0826 2012-DJ-BX-0231	13,943 33,662
Total for cluster			<u>47,605</u>
Direct Grant			
ARRA - Public Safety Partnership and Community Policing Grants	16.710	2009-RK-WX-0353	<u>133,296</u>
Total for federal grantor agency			<u>180,901</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF LAFAYETTE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Department of Transportation Highway Planning and Construction Cluster Highway Planning and Construction	20.205	A249-10-320939 A249-10-320704 A249-11-320860	76,904 15,527 <u>227,549</u>
Total for program			<u>319,979</u>
Recreational Trails Program	20.219	A249-10-322061 A249-12-320079	1,656 <u>110,063</u>
Total for program			<u>111,719</u>
Total for cluster			<u>431,698</u>
Pass-Through Greater Lafayette Public Transportation Corporation New Freedom Program	20.521	IN-57-X018	<u>36,703</u>
Pass-Through Indiana Criminal Justice Institute Highway Safety Cluster State and Community Highway Safety	20.600	D3-13-7376 D3-14-8210	52,041 <u>8,986</u>
Total for program			<u>61,028</u>
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	D3-13-7548 D3-13-7267	4,026 <u>26,663</u>
Total for program			<u>30,689</u>
Total for cluster			<u>91,717</u>
Total for federal grantor agency			<u>560,118</u>
<u>ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Department of Environmental Protection Nonpoint Source Implementation Grants	66.460	305-2-6	<u>75,000</u>
<u>U.S. DEPARTMENT OF ENERGY</u>			
Pass-Through the City of Indianapolis ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	DE-EE0003577-001 (ARRA)	<u>80,652</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Direct Grant Assistance to Firefighters Grant	97.044	EMW-2011-FP-00894	<u>3,482</u>
Total federal awards expended			<u>\$ 2,296,480</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

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 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.

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, 2013:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grants/Entitlement Grants	14.218	\$ 108,449
HOME Investment Partnerships Program	14.239	498,614

CITY OF LAFAYETTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
14.239	CDBG - Entitlement Grants Cluster
16.710	HOME Investment Partnerships Program
	ARRA - Public Safety Partnership and Community Policing Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2013-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the City related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the accounting for capital assets and construction work in progress to reduce risks to the achievement of financial reporting objectives. The Administrative Project Coordinator is responsible for maintaining the Capital Asset Package; she is also responsible for completing a reconciliation of the capital asset records to the general ledger. This reconciliation is presented to the Deputy Controller as supporting documentation during the

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

financial statement preparation process. The Deputy Controller verifies, on a test basis, the capital asset reconciliation to the general ledger as part of the financial statement procedures performed. However, this verification was not documented. Adequate segregation of duties requires that someone other than the Administrative Project Coordinator complete and document the reconciliation of the capital asset records to the general ledger. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

2. **Monitoring of Controls:** Effective internal control over financial reporting requires the Common Council to monitor and assess the quality of the City's system of internal control. The Common Council has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the City at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, material misstatements in a timely manner. Additionally, the City has no process to identify or communicate corrective actions to improve controls.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Section III - Federal Award Findings and Questioned Costs

FINDING 2013-002 - INTERNAL CONTROLS OVER THE HOME INVESTMENT PARTNERSHIPS PROGRAM

Federal Agency: U.S. Department of Housing and Urban Development

Federal Program: HOME Investment Partnerships Program

CFDA Number: 14.239

Federal Award Numbers: M08-DC-180212; M10-DC-180212; M11-DC-180212;
M12-DC-180212; M13-DC-180212

Management of the City had not established an effective internal control system until December 2013, which would include segregation of duties, related to the grant agreement and the Reporting and Special Tests and Provisions compliance requirements that have a direct and material effect on the program. There was no documented review of the reports submitted to HUD and no documented review of the computation for the Special Test and Provision: Maximum Unit Subsidy.

The failure to establish an effective internal control system places the City at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

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

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements that have a direct and material effect on the program could result in the loss of federal funds to the City.

We recommended that the City's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirements that have a direct and material effect on the program.

FINDING 2013-003 - INTERNAL CONTROLS OVER ARRA - PUBLIC SAFETY PARTNERSHIP AND COMMUNITY POLICING GRANTS

Federal Agency: U.S. Department of Justice
Federal Program: ARRA - Public Safety Partnership and Community Policing Grants
CFDA Number: 16.710
Federal Award Number and Year: 2009-RK-WX-0353

The management of the City has not adequately documented the establishment of an effective internal control system, which would include segregation of duties, related to the grant agreement and the Reporting compliance requirement that has a direct and material effect on the program. Reimbursement request reports filed by the Police Department Chief Deputy lacked oversight, review, and approval. The failure to establish an effective internal control system places the City at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, in a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Non-compliance with the grant agreement or the compliance requirements that have a direct and material effect on the program could result in the loss of federal funds to the City.

We recommended that the City's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirements that have a direct and material effect on the program.

AUDITEE PREPARED DOCUMENTS

The subsequent documents were provided by management of the City. The documents are presented as intended by the City.



OFFICE OF CONTROLLER

Original SBA Audit Report Number: B 42907
Fiscal Year: 1/1/2012 to 12/31/2012
Auditee Contact Person: Mike Jones
Title of Contact Person: Controller
Phone: 765-807-1011

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2012-2 Compliance Requirements CDBG Block Grants

The City of Lafayette established internal controls to ensure proper oversight, reviews and approvals take place to be in compliance with Federal Regulations and expenditures listed on the Schedule of Federal Expenditures.

2012-3 Compliance with Reporting Requirements

The City of Lafayette put in place internal controls to ensure proper sub-receiptent compliance and entry into the Federal database.

2012-4 Compliance Requirements Home Investment Partnership Programs

A corrective action plan, including the development of an operations manual and instruction for Project Managers have been instituted. Additionally, the accounting and operating procedures of the City detailing the proper segregation of duties, documentation, recording and proper oversight of Federal Funds have been included in the operations manual. Finally regularly scheduled meetings are held to review and discuss any issues from this program.

2012-5 Compliance with Reporting Requirements

The City of Lafayette established internal controls to review all agreements are compliant with Federal Regulations and that information is properly input into the Federal database.

2012-6 Compliance Requirements Energy Efficiency Block Grant

Controls have been established and implemented for proper Federal reporting and segregation of duties to satisfy compliance with Federal Regulations.

2012-7 **Compliance with Cash Management**

The City has developed procedures and policies to meet proper funding drawdowns to ensure timely expenditures to meet grant requirements and the Code of Federal Regulations.

2012-8 **Compliance with Davis-Bacon**

The City of Lafayette implemented procedures to ensure adherence to Davis-Bacon requirements and proper review of those documents satisfying compliance with Federal Regulations.

2012-9 **Compliance with Reporting Requirements**

The City of Lafayette has instituted control procedures to ensure proper review and submission of grant reporting requirements.

2012-10 **Compliance with Reporting Requirements**

All reporting receives proper review and submission per grant requirements and documentation of those processes.

2012-11 **Internal Controls over Compliance Requirements that have a Direct and Material Effect to Energy Efficiency and Conservation Block Grant**

The City of Lafayette has reviewed and implemented internal controls to review, approve, and report proper procurement, cash management and reporting requirements to be in compliance with Federal Regulations.

2012-12 **Compliance with Davis-Bacon**

Controls are established to guarantee compliance with Davis-Bacon requirements and proper review of those records.

2012-13 **Compliance with Procurement Requirements**

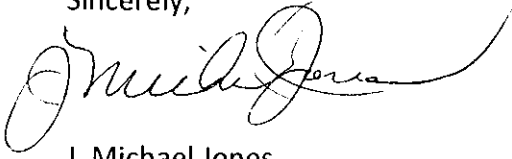
The City of Lafayette has a procurement procedure, reviewed by the Legal Department to ensure correct federal requirements are met.

2012-14

Compliance with Sub-Recipient Monitoring

Internal Controls to ensure proper oversight and review of grant Sub-Recipients and to ensure the Sub-Recipient is in compliance with Federal Regulations have been implemented.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Michael Jones", with a long, sweeping flourish extending to the right.

J. Michael Jones
Controller
City of Lafayette



CORRECTIVE ACTION PLAN

FINDING 2013-01

Contact Person Responsible for Corrective Action: J. Michael Jones
Contact Phone Number: 765-807-1011:

Description of Corrective Action Plan:

1. The City of Lafayette has in place procedures for the purchase and recording of capital assets. These procedures include the Department Heads, Legal Department, Engineering Department, Purchasing and Accounts Payable. In addition to the reconciliation performed by the Administrative Project Coordinator, each Department Head receives a printout of the capital assets to review and return with additions, corrections and deletions. All of these things happen prior to the reconciliation of the assets and is done electronically wherever possible. The Deputy Controller using test procedures, much like an auditor, runs a check on the assets. The present ERP system does provide an electronic trail but as the system was written in 1998 it is not as detailed as current systems. The City is investing in a new ERP system with specific work flow processes that require supervisory action at each step of the process in place now, and will provide a transparent electronic audit trail.
2. Currently the City of Lafayette provides the Board of Works, the body that is in charge of the day to day operations of the City with weekly updates of the operational facets of the City. Starting in the third quarter of 2014 and following every quarter thereafter the Controller will have a meeting with the Council President to review the same information as the Board of Works so the President can report to the full Council on the financial systems of the City and its internal controls

Anticipated Completion Date: Part 1: 1/1/2015 Part 2: October 2014




(Signature)

Council President

(Title)



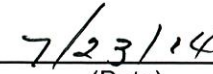
(Date)



(Signature)

Controller

(Title)



(Date)



CITY OF
LAFAYETTE

OFFICE OF CONTROLLER

CORRECTIVE ACTION PLAN

FINDING 2013-02

Contact Person Responsible for Corrective Action: J. Michael Jones
Contact Phone Number: 765-807-1011:

Description of Corrective Action Plan:

The City of Lafayette has put in place procedures to insure that effective internal controls are in place. All procedures are in written form and have been distributed to the department. Weekly meetings are held with the Controller's Office and the department and all financial issues are discussed.

Anticipated Completion Date: December 2013



(Signature)

Council President

(Title)



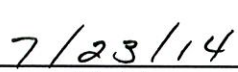
(Date)



(Signature)

Controller

(Title)



(Date)



OFFICE OF CONTROLLER

CORRECTIVE ACTION PLAN

FINDING 2013-03

Contact Person Responsible for Corrective Action: J. Michael Jones
Contact Phone Number: 765-807-1011:

Description of Corrective Action Plan:

The City of Lafayette has put in place procedures to insure that effective internal controls are in place and in use. A written procedure will be produced to further document these controls and distributed to all parties involved with the grant inputs and reimbursements.

Anticipated Completion Date: August of 2014



(Signature)

Council President

(Title)



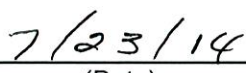
(Date)



(Signature)

Controller

(Title)



(Date)

OTHER REPORT

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