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STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

ANNUAL FINANCIAL REPORT

2005

CITY OF LAFAYETTE

TIPPECANOE COUNTY, INDIANA

FILED
10/31/2006

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OFFICIALS

Office	Official	Term
Controller	Stephen J. Bultinck	02-13-04 to 05-15-06
	J. Michael Jones	05-16-06 to 12-31-06
Mayor	Tony Roswarski	01-01-04 to 12-31-07
President of the Board of Public Works and Safety	Gary D. Henriott	01-01-05 to 12-31-05
	Cindy Murray	01-01-06 to 12-31-06
President of the Common Council	Steven P. Meyer	01-01-05 to 12-31-05
	Perry Brown	01-01-06 to 12-31-06

STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lafayette (City), as of and for the year ended December 31, 2005, which collectively comprise the City's primary government basic financial statements. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Due to the restrictions on our examination as of and for the year ended December 31, 2004, and our determination that our scope of work was not sufficient to enable us to express, and we did not express, an opinion on the financial statements for that year, we are unable to express an opinion on the beginning balances presented in this report.

Our audit tests indicated that management has not properly recorded capital assets and accumulated depreciation for the governmental and business-type activities. We could not determine by the use of alternative auditing procedures the extent by which the financial statements would be affected.

In our opinion, subject to the effects, if any, of our inability to express an opinion on the beginning balances presented in this report or the effects of the improperly recorded capital assets and accumulated depreciation, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and for the year then ended, in conformity with accounting principles generally accepted in the United States.

The Schedules of Funding Progress, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

The City has not presented Management Discussion and Analysis or Budgetary Comparison Schedules that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated September 28, 2006, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the City taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

STATE BOARD OF ACCOUNTS

September 28, 2006

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the City of Lafayette (City), as of and for the year ended December 31, 2005, and have issued our report thereon dated September 28, 2006. The opinion to the basic financial statements was qualified due to the restrictions on our prior audit which results in our inability to express an opinion on the beginning balances presented in this report and the presentation of capital assets. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as item 2005-1.

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. Of the reportable conditions described above, we consider item 2005-1 to be a material weakness. However, we noted other matters involving the internal control over financial reporting that we have discussed with the management of the City of Lafayette. These immaterial instances of noncompliance were subsequently communicated to management in a separate letter.

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

STATE BOARD OF ACCOUNTS

September 28, 2006

CITY OF LAFAYETTE
STATEMENT OF NET ASSETS
December 31, 2005

Assets	Primary Government Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	$ 23,747,421	$ 7,504,204	$ 31,251,625
Cash with fiscal agent	8,443,060	23,204	8,466,264
Receivables (net of allowances for uncollectibles):			
Interest	251,500	1,840	253,340
Taxes	831,727	-	831,727
Accounts	89,445	2,853,857	2,943,302
Intergovernmental	1,987,754	-	1,987,754
Other	31	1,321,823	1,321,854
Loans	114,098	-	114,098
Internal balances	261,909	(261,909)	-
Inventories	161,968	1,007,946	1,169,914
Prepaid expense	120,029	240,094	360,123
Deferred debits	1,413,121	728,606	2,141,727
Pension benefit asset	311,469	190,901	502,370
Restricted assets:			
Cash and cash equivalents	-	14,488,154	14,488,154
Capital assets:			
Land, improvements and construction in progress	34,144,462	32,910,226	67,054,688
Other capital assets, net of depreciation	146,303,023	135,722,614	282,025,637
Total assets	218,181,017	196,731,560	414,912,577
Liabilities			
Accounts payable	3,858,748	871,927	4,730,675
Accrued payroll and withholdings payable	551,061	164,513	715,574
Compensated absences payable	9,223	-	9,223
Taxes payable	-	21,106	21,106
Accrued interest payable	1,774,877	58,769	1,833,646
Contracts payable	-	22,720	22,720
Deferred revenue	3,745	-	3,745
Other current payables	360,496	3,889	364,385
Payable from restricted assets:			
Customer deposits	-	102,725	102,725
Revenue bonds - due within one year	-	1,465,000	1,465,000
Noncurrent liabilities:			
Due within one year:			
Revenue bonds payable	3,145,000	-	3,145,000
Capital lease obligations	-	168,441	168,441
Notes and loans payable	361,670	2,818,362	3,180,032
Due in more than one year:			
General obligation bonds payable	10,865,000	-	10,865,000
Revenue bonds payable (net of discounts or premiums)	59,947,908	33,499,703	93,447,611
Capital lease obligations	928,796	40,316	969,112
Notes and loans payable	843,401	62,496,327	63,339,728
Net pension obligation	21,076,031	-	21,076,031
Total liabilities	103,725,956	101,733,798	205,459,754
Net Assets			
Invested in capital assets, net of related debt	50,208,618	68,390,821	118,599,439
Restricted for:			
Public safety	(40,604,050)	-	(40,604,050)
Highways and streets	20,077,731	-	20,077,731
Economic development	(16,332)	-	(16,332)
Culture and recreation	1,886,757	-	1,886,757
Debt service	-	3,518,785	3,518,785
Unrestricted	82,902,337	23,088,156	105,990,493
Total net assets	$ 114,455,061	$ 94,997,762	$ 209,452,823

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, 2005

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets — Primary Government: Governmental Activities	Business-Type Activities	Total
Primary government:						
Governmental activities:						
General government	$ 5,372,941	$ 6,724,592	$ -	$ 1,351,651	$ -	$ 1,351,651
Public safety	20,124,592	61,613	101,319	(19,961,660)	-	(19,961,660)
Highways and streets	15,154,804	2,677	938,706	(14,213,421)	-	(14,213,421)
Sanitation	2,197,242	-	-	(2,197,242)	-	(2,197,242)
Economic development	5,115,431	115	526,997	(4,588,319)	-	(4,588,319)
Culture and recreation	4,584,577	1,879,990	-	(2,704,587)	-	(2,704,587)
Total governmental activities	52,549,587	8,668,987	1,567,022	(42,313,578)	-	(42,313,578)
Business-type activities:						
Water	6,697,955	8,060,513	-	-	1,362,558	1,362,558
Wastewater	15,472,423	16,869,683	-	-	1,397,260	1,397,260
Parking lot	226,997	279,077	-	-	52,080	52,080
Pittman block	197,166	30,000	-	-	(167,166)	(167,166)
Stormwater	4,443	-	-	-	(4,443)	(4,443)
Total business-type activities	22,598,984	25,239,273	-	-	2,640,289	2,640,289
Total primary government	$ 75,148,571	$ 33,908,260	$ 1,567,022	(42,313,578)	2,640,289	(39,673,289)
General revenues:						
Property taxes				29,575,465	-	29,575,465
Intergovernmental revenues				12,242,663	-	12,242,663
Transfer to fiduciary funds				(661,726)	-	(661,726)
Gain/Loss on disposal of capital assets				-	2,650	2,650
Miscellaneous revenues				369,461	-	369,461
Unrestricted investment earnings				3,051,099	460,628	3,511,727
Total general revenues				44,576,962	463,278	45,040,240
Change in net assets				2,263,384	3,103,567	5,366,951
Net assets - beginning				112,191,677	91,894,195	204,085,872
Net assets - ending				$ 114,455,061	$ 94,997,762	$ 209,452,823

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

CITY OF LAFAYETTE
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2005

Assets	General	Highway	Parks	Redevelopment Authority	Other Governmental Funds	Totals
Cash and cash equivalents	$ (2,441,050)	$ 1,209,552	$ 2,106,165	$ -	$ 22,437,529	$ 23,312,196
Cash with fiscal agent	-	-	-	8,443,060	-	8,443,060
Receivables (net of allowances for uncollectibles):						
Interest	-	-	-	251,500	-	251,500
Taxes	391,446	67,944	115,697	-	256,640	831,727
Accounts	56,356	15,825	-	-	17,264	89,445
Intergovernmental	967,245	339,693	50,216	-	630,600	1,987,754
Loans receivable	-	-	-	-	114,098	114,098
Interfund receivable:						
Interfund services provided and used	28,904	851,464	-	-	153,793	1,034,161
Total assets	$ (997,099)	$ 2,484,478	$ 2,272,078	$ 8,694,560	$ 23,609,924	$ 36,063,941

Liabilities and Fund Balances	General	Highway	Parks	Redevelopment Authority	Other Governmental Funds	Totals
Liabilities:						
Accounts payable	$ 919,255	$ 435,386	$ 50,592	$ 1,713,572	$ 721,171	$ 3,839,976
Accrued payroll and withholdings payable	396,625	99,479	46,574	-	8,383	551,061
Interfund payable:						
Interfund services provided and used	461,695	25,993	51,993	-	232,077	771,758
Accrued interest payable	-	-	224,751	1,216,341	333,785	1,774,877
Deferred revenue	-	-	3,745	-	-	3,745
Deferred revenue - unavailable	1,358,691	97,434	165,913	-	887,240	2,509,278
Other current payables	348,196	-	12,300	-	-	360,496
Total liabilities	3,484,462	658,292	555,868	2,929,913	2,182,656	9,811,191
Fund balances:						
Unreserved, reported in:						
General fund	(4,481,561)	-	-	-	-	(4,481,561)
Special revenue funds	-	1,826,186	1,716,210	-	1,705,849	5,248,245
Capital projects funds	-	-	-	5,764,647	15,761,769	21,526,416
Debt service funds	-	-	-	-	3,959,650	3,959,650
Total fund balances	(4,481,561)	1,826,186	1,716,210	5,764,647	21,427,268	26,252,750
Total liabilities and fund balances	$ (997,099)	$ 2,484,478	$ 2,272,078	$ 8,694,560	$ 23,609,924	

Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	180,447,485
Current assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	281,997
Net pension assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	311,469
City and state collections that are not available until calendar year 2006 are recognized as revenues in government-wide funds but are deferred in the fund balances.	2,509,278
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,413,121
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	415,990
Current liabilities used in governmental activities are not financial uses and, therefore, are not reported in the funds.	(9,223)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(76,091,775)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(21,076,031)
Net assets of governmental activities	$ 114,455,061

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

CITY OF LAFAYETTE
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2005

	General	Highway	Parks	Redevelopment Authority	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	$ 14,743,756	$ 2,561,033	$ 4,360,931	$ -	$ 8,342,182	$ 30,007,902
Licenses and permits	176,953	-	-	-	3,435	180,388
Intergovernmental	2,021,429	2,663,053	417,905	-	10,072,255	15,174,642
Charges for services	5,295,500	2,177	1,171,647	-	39,192	6,508,516
Fines and forfeits	101,972	-	-	-	10,151	112,123
Other	871,285	29,299	98,300	2,587,821	265,592	3,852,297
Total revenues	23,210,895	5,255,562	6,048,783	2,587,821	18,732,807	55,835,868
Expenditures:						
Current:						
General government	5,620,966	-	-	-	194,010	5,814,976
Public safety	18,871,399	-	-	-	169,471	19,040,870
Highways and streets	-	5,449,056	-	-	460,292	5,909,348
Sanitation	2,317,318	-	-	-	-	2,317,318
Economic development	-	-	-	-	1,745,552	1,745,552
Culture and recreation	-	-	6,283,331	-	23,160	6,306,491
Capital outlay:						
Highways and streets	-	-	-	21,990,446	23,681,317	45,671,763
Total expenditures	26,809,683	5,449,056	6,283,331	21,990,446	26,273,802	86,806,318
Deficiency of revenues under expenditures	(3,598,788)	(193,494)	(234,548)	(19,402,625)	(7,540,995)	(30,970,450)
Other financing sources (uses):						
Transfers in	642,077	1,045,125	542,678	-	209,144	2,439,024
Transfers out	-	-	(542,678)	-	(2,558,072)	(3,100,750)
Bond issue and loan proceeds	153,576	144,500	-	10,565,000	943,188	11,806,264
Capital leases	-	-	189,468	13,150,000	-	13,339,468
Total other financing sources and uses	795,653	1,189,625	189,468	23,715,000	(1,405,740)	24,484,006
Net change in fund balances	(2,803,135)	996,131	(45,080)	4,312,375	(8,946,735)	(6,486,444)
Fund balances - beginning	(1,678,426)	830,055	1,761,290	1,452,272	30,374,003	32,739,194
Fund balances - ending	$ (4,481,561)	$ 1,826,186	$ 1,716,210	$ 5,764,647	$ 21,427,268	$ 26,252,750

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, 2005

Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - total governmental funds (Statement of Revenues, Expenditures and Changes in Fund Balances).	$ (6,486,444)
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.	4,757,152
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(361,171)
The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	4,269,610
Net pension obligations are considered long-term obligations of the general government, but are not current expenditures.	(17,317)
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.	(278,256)
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.	379,810
Change in net assets of governmental activities (statement of activities)	$ 2,263,384

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

CITY OF LAFAYETTE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2005

Assets	Business-Type Activities - Enterprise Funds: Water Utility	Wastewater Utility	Other Enterprise Funds	Total	Internal Service Fund
Current assets:					
Cash and cash equivalents	$ 1,582,142	$ 5,777,464	$ 144,598	$ 7,504,204	$ 435,225
Cash with fiscal agent	-	-	23,204	23,204	-
Interest receivable	-	-	1,840	1,840	-
Accounts receivable (net of allowance)	1,741,996	1,111,861	-	2,853,857	-
Other receivable	-	1,291,823	30,000	1,321,823	-
Inventories	273,026	734,920	-	1,007,946	-
Prepaid items	80,019	160,075	-	240,094	-
Total current assets	3,677,183	9,076,143	199,642	12,952,968	435,225
Noncurrent assets:					
Restricted cash, cash equivalents and investments:					
Customer deposits	102,720	-	-	102,720	-
Revenue bond covenant accounts	846,085	13,539,349	-	14,385,434	-
Total restricted assets	948,805	13,539,349	-	14,488,154	-
Pension benefit asset	85,403	105,498	-	190,901	-
Deferred charges	344,522	319,084	65,000	728,606	-
Capital assets:					
Land, improvements to land and construction in progress	2,367,412	29,915,930	626,884	32,910,226	-
Other capital assets (net of accumulated depreciation)	27,577,259	105,354,887	2,790,468	135,722,614	-
Total capital assets	29,944,671	135,270,817	3,417,352	168,632,840	-
Total noncurrent assets	31,323,401	149,234,748	3,482,352	184,040,501	-
Total assets	35,000,584	158,310,891	3,681,994	196,993,469	435,225
Liabilities					
Current liabilities:					
Accounts payable	276,600	589,088	6,239	871,927	18,772
Interfund payables:					
Interfund services provided and used	112,781	149,128	-	261,909	463
Contracts payable	22,720	-	-	22,720	-
Wages payable	70,349	94,164	-	164,513	-
Taxes payable	21,106	-	-	21,106	-
Other payable	3,889	-	-	3,889	-
Current liabilities payable from restricted assets:					
Customer deposits	102,725	-	-	102,725	-
Revenue bonds payable	625,000	560,000	280,000	1,465,000	-
Loans payable	43,715	2,774,647	-	2,818,362	-
Capital leases payable	98,739	69,702	-	168,441	-
Accrued interest payable	-	-	58,769	58,769	-
Total current liabilities	1,377,624	4,236,729	345,008	5,959,361	19,235
Noncurrent liabilities:					
Revenue bonds payable (net of unamortized discounts or premiums)	3,722,467	27,662,236	2,115,000	33,499,703	-
Loans payable	93,753	62,402,574	-	62,496,327	-
Capital leases payable	30,280	10,036	-	40,316	-
Total noncurrent liabilities	3,846,500	90,074,846	2,115,000	96,036,346	-
Total liabilities	5,224,124	94,311,575	2,460,008	101,995,707	19,235
Net Assets					
Invested in capital assets, net of related debt	25,307,997	41,791,622	1,291,202	68,390,821	-
Restricted for debt service	-	3,481,555	37,230	3,518,785	-
Unrestricted	4,468,463	18,726,139	(106,446)	23,088,156	415,990
Total net assets	$ 29,776,460	$ 63,999,316	$ 1,221,986	$ 94,997,762	$ 415,990

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

CITY OF LAFAYETTE
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For The Year Ended December 31, 2005

	Enterprise Funds				
	Water Utility	Wastewater Utility	Other Enterprise Funds	Total	Internal Service Fund
Operating revenues:					
Unmetered water revenue	$ 32,433	$ -	$ -	$ 32,433	$ -
Metered water revenue:					
Residential	3,467,426	-	-	3,467,426	-
Commercial	1,950,519	-	-	1,950,519	-
Industrial	493,665	-	-	493,665	-
Fire protection revenue	933,286	-	-	933,286	-
Recoveries to operations	176,438	576,509	-	752,947	-
Other water revenue	1,006,746	-	-	1,006,746	-
Measured revenue:					
Residential	-	4,834,325	-	4,834,325	-
Commercial	-	3,197,547	-	3,197,547	-
Industrial	-	55,404	-	55,404	-
Other	-	8,184,058	309,077	8,493,135	1,173,753
Total operating revenues	8,060,513	16,847,843	309,077	25,217,433	1,173,753
Operating expenses:					
Source of supply and expense - operations and maintenance	937,065	-	-	937,065	-
Water treatment expense - operations and maintenance	250,286	-	-	250,286	-
Transmission and distribution	1,442,596	-	-	1,442,596	-
Collection system - operations and maintenance	-	1,340,369	-	1,340,369	-
Treatment and disposal expense - operations and maintenance	-	2,789,663	-	2,789,663	-
Customer accounts	860,163	683,735	-	1,543,898	-
Administration and general	2,040,917	2,119,955	-	4,160,872	793,943
Materials and supplies	-	-	26,328	26,328	-
Contractual services	-	-	4,868	4,868	-
Bad debt expense	166,408	-	-	166,408	-
Depreciation and amortization	748,107	3,742,506	84,074	4,574,687	-
Miscellaneous expenses	-	12,922	-	12,922	-
Total operating expenses	6,445,542	10,689,150	115,270	17,249,962	793,943
Operating income	1,614,971	6,158,693	193,807	7,967,471	379,810
Nonoperating revenues (expenses):					
Interest and investment revenue	20,259	437,814	2,555	460,628	-
Amortized bond issue expense	(55,109)	(26,761)	-	(81,870)	-
Gain on sale of assets	-	2,650	-	2,650	-
Miscellaneous revenue	-	21,841	-	21,841	-
Interest expense	(197,304)	(3,743,143)	(313,336)	(4,253,783)	-
Payment in lieu of taxes	-	(1,013,370)	-	(1,013,370)	-
Total nonoperating revenue (expenses)	(232,154)	(4,320,969)	(310,781)	(4,863,904)	-
Change in net assets	1,382,817	1,837,724	(116,974)	3,103,567	379,810
Total net assets - beginning	28,393,643	62,161,592	1,338,960	91,894,195	36,180
Total net assets - ending	$ 29,776,460	$ 63,999,316	$ 1,221,986	$ 94,997,762	$ 415,990

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, 2005

	Enterprise Funds				
	Water Utility	Wastewater Utility	Other Enterprise Funds	Total	Internal Service Fund
Cash flows from operating activities:					
Receipts from customers and users	$ 7,762,146	$ 16,907,453	$ 279,077	$ 24,948,676	$ 1,173,753
Payments to suppliers	(3,887,989)	(4,652,379)	(67,625)	(8,607,993)	(868,533)
Payments to employees	(1,970,999)	(2,556,620)	-	(4,527,619)	-
Payments for interfund services used	(866,129)	(131,371)	-	(997,500)	-
Net cash provided by operating activities	1,037,029	9,567,083	211,452	10,815,564	305,220
Cash flows from noncapital financing activities:					
Payment in lieu of taxes	-	(1,013,370)	-	(1,013,370)	-
Nonoperating revenue	-	21,841	-	21,841	-
Net cash used by noncapital financing activities	-	(991,529)	-	(991,529)	-
Cash flows from capital and related financing activities:					
Purchase of capital assets	(1,102,056)	(9,976,374)	-	(11,078,430)	-
Principal paid on capital debt	(771,775)	(2,851,223)	(259,000)	(3,881,998)	-
Interest paid on capital debt	(197,305)	(3,772,962)	(322,530)	(4,292,797)	-
Proceeds from sales of capital assets	-	26,030	-	26,030	-
Net cash used by capital and related financing activities	(2,071,136)	(16,574,529)	(581,530)	(19,227,195)	-
Cash flows from investing activities:					
Interest received	20,259	437,814	715	458,788	-
Net increase (decrease) in cash and cash equivalents	(1,013,848)	(7,561,161)	(369,363)	(8,944,372)	305,220
Cash and cash equivalents, January 1 (Including $ 0, $ 0, and $ 0, respectively, reported in restricted accounts)	3,544,795	26,877,974	537,165	30,959,934	130,005
Cash and cash equivalents, December 31 (Including $948,805, $13,539,349, and $ 0, respectively, reported in restricted accounts)	$ 2,530,947	$ 19,316,813	$ 167,802	$ 22,015,562	$ 435,225
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	$ 1,614,971	$ 6,158,693	$ 193,807	$ 7,967,471	$ 379,810
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	748,107	3,742,506	84,074	4,574,687	-
(Increase) decrease in assets:					
Accounts receivable	(306,546)	1,351,434	(30,000)	1,014,888	-
Interfund receivables	-	170,126	-	170,126	-
Inventories	122,638	(10,705)	-	111,933	-
Prepaid items	(80,019)	(160,075)	-	(240,094)	-
Accounts receivable - other	4,139	(1,291,823)	-	(1,287,684)	-
Pension benefit asset	(4,748)	(5,866)	-	(10,614)	-
Increase (decrease) in liabilities:					
Customer deposits	4,040	-	-	4,040	-
Accounts payable	(74,991)	3,134	6,039	(65,818)	9,606
Accrued payroll and withholdings payable	32,095	42,650	-	74,745	-
Construction retainage payable	-	(34,163)	-	(34,163)	-
Interfund services provided and used	(866,129)	(301,497)	(42,468)	(1,210,094)	(84,196)
Compensated absence payable	(51,395)	(97,496)	-	(148,891)	-
Taxes payable	21,106	165	-	21,271	-
Leasehold payable	(130,128)	-	-	(130,128)	-
Other payable	3,889	-	-	3,889	-
Total adjustments	(577,942)	3,408,390	17,645	2,848,093	(74,590)
Net cash provided by operating activities	$ 1,037,029	$ 9,567,083	$ 211,452	$ 10,815,564	$ 305,220

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

CITY OF LAFAYETTE
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2005

Assets	Pension Trust Funds	Agency Funds
Cash and cash equivalents	$ 889,523	$ 574,129
Receivables:		
Taxes	7,862	-
Intergovernmental	3,413	-
Total receivables	11,275	-
Total assets	900,798	$ 574,129
Liabilities		
Trust payable	-	$ 574,099
Due to Other Funds	-	30
Total liabilities	-	$ 574,129
Net Assets		
Held in trust for:		
Employees' pension benefits and other purposes	900,798	
Total net assets	$ 900,798	

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

CITY OF LAFAYETTE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For The Year Ended December 31, 2005

	Pension Trust Funds
Additions	
Contributions:	
Employer	$ 2,234,685
Plan members	53,918
Private donations	9,318
Total contributions	2,297,921
Transfers of funds - from governmental funds	661,726
Total additions	2,959,647
Deductions	
Benefits	3,551,655
Administrative expense	1,699
Total deductions	3,553,354
Changes in net assets	(593,707)
Net assets - beginning	1,494,505
Net assets - ending	$ 900,798

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

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

The accompanying financial statements present the activities of the primary government and its significant component units. The component units discussed below are included in the primary government's reporting entity because of the significance of their operational or financial relationships with the primary government. Blended component units, although legally separate entities, are in substance part of the government's operations and exist solely to provide services for the government; data from these units is combined with data of the primary government. Discretely presented component units are involved in activities of an operational nature independent from the government; their transactions are reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Blended Component Units

The Lafayette Redevelopment Authority is a significant blended component unit of the primary government. The primary government appoints a voting majority of the Redevelopment Authority's board and a financial benefit/burden relationship exists between the primary government and the Redevelopment Authority. Although it is legally separate from the primary government, the Redevelopment Authority is reported as if it were a part of the primary government because it provides services entirely or almost entirely to the primary government.

Joint Venture

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

Related Organizations

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

B. Government-Wide and Fund Financial Statements

Government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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 primary government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, are recorded only when payment is due.

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. All other revenue items are considered to be measurable and available only when the primary government receives cash.

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

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

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

The primary government reports the following major proprietary funds:

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

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

Additionally, the primary government reports the following fund types:

The internal service fund accounts for self-insurance 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 primary government as an agent for state and federal agencies for payroll withholdings.

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

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

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. 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 primary government'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 primary government'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 primary government 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.

Nonparticipating certificates of deposit, demand deposits and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents are reported as investments at cost.

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

2. Interfund Transactions and Balances

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "interfund receivables/payables" (i.e., the current and 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 primary government in June and in December. State statutes (IC 6-1.1-17-16) require the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments that become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the primary government prior to December 31 of the year collected. Delinquent property taxes outstanding at year end for governmental and/or proprietary funds, net of allowances for uncollectible accounts, are recorded as a receivable with an offset to deferred revenue in the fund financial statements since the amounts are not considered available.

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

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:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings and improvements	$ 5,000	Straight-line	10 to 40 yrs
Equipment	5,000	Straight-line	5 to 10 yrs
Roads – collectors and residential	5,000	Straight-line	50 yrs
Water collection systems	5,000	Straight-line	5 to 40 yrs
Wastewater distribution and collection systems	5,000	Straight-line	5 to 40 yrs

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.

7. Compensated Absences

a. Sick Leave – primary government employees earn sick leave at the rate of 1 day per month. Unused sick leave may be accumulated to a maximum of 36 days. Accumulated sick leave is not paid to employees upon termination.

b. Vacation Leave – primary government employees earn vacation leave at rates from 10 days to 25 days per year based upon the number of years of service. Vacation leave may be accumulated for carryover to the following year to a maximum of 5 days. Accumulated vacation leave is paid to employees through cash payments or paid time-off upon termination.

c. Personal Leave – primary government 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.

Vacation leave is accrued when incurred.

No liability is reported for 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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. 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 primary government'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.

Expenditures did not exceed appropriations for any funds or any departments within the General Fund, which required legally, approved budgets.

B. Deficit Fund Equity

At December 31, 2005, the following funds reported deficits in fund equity, which are violations of State statute:

	Deficit
Governmental funds:	
General	$ 4,481,561
Economic Development	25,082
CHDO	46,285
Cumulative Capital Improvement	262,157
Renaissance Development	22,530
Fiduciary funds:	
Police Pension	157,220

Fund equity deficits arose primarily from expenditures or expenses exceeding revenues due to the underestimate of current requirements; these deficits will be repaid from future revenues.

III. Detailed Notes on All Funds

A. Deposits and Investments

Custodial credit risk is the risk that in the event of a bank failure, the City'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 all public funds held in approved depositories.

B. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of December 31, 2005, the City had no investments.

Investment Policies

Indiana Code 5-13-9 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, as amended. Investments in money market mutual funds may not exceed 50% 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 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 that are uninsured and 1) uncollateralized, 2) collateralized with securities held by the pledging financial institution, or 3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the government's name. At December 31, 2005, the City held no investments of this type.

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.

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.

C. Capital Assets

Capital asset activity for the year ended December 31, 2005, was as follows:

Primary Government	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 21,369,727	$ -	$ -	$ 21,369,727
Construction in progress	4,837,225	8,665,021	727,511	12,774,735
Total capital assets, not being depreciated	26,206,952	8,665,021	727,511	34,144,462
Capital assets, being depreciated:				
Buildings	28,819,427	-	-	28,819,427
Improvements other than buildings	5,055,771	542,678	-	5,598,449
Machinery and equipment	12,949,834	415,958	799,544	12,566,248
Vehicles	5,188,553	1,789,915	252,293	6,726,175
Infrastructure	150,138,363	184,833	-	150,323,196
Totals	202,151,948	2,933,384	1,051,837	204,033,495
Less accumulated depreciation for:				
Buildings	4,025,786	589,305	-	4,615,091
Improvements other than buildings	316,494	251,363	-	567,857
Machinery and equipment	9,987,184	598,723	585,407	10,000,500
Vehicles	2,381,878	995,265	215,032	3,162,111
Infrastructure	37,370,667	2,014,246	-	39,384,913
Totals	54,082,009	4,448,902	800,439	57,730,472
Total capital assets, being depreciated, net	148,069,939	(1,515,518)	251,398	146,303,023
Total governmental activities capital assets, net	$ 174,276,891	$ 7,149,503	$ 978,909	$ 180,447,485
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 658,814	$ -	$ -	$ 658,814
Construction in progress	47,433,684	10,701,471	25,883,743	32,251,412
Total capital assets, not being depreciated	48,092,498	10,701,471	25,883,743	32,910,226
Capital assets, being depreciated:				
Buildings	25,608,011	291,131	-	25,899,142
Improvements other than buildings	33,924	-	-	33,924
Machinery and equipment	95,654,779	8,035,296	38,506	103,651,569
Vehicles	1,684,559	235,519	55,932	1,864,146
Infrastructure	6,482,443	17,713,963	-	24,196,406
Totals	129,463,716	26,275,909	94,438	155,645,187

Primary Government	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities (continued):				
Capital assets, being depreciated (continued):				
Less accumulated depreciation for:				
Buildings	3,275,035	556,937	-	3,831,972
Improvements other than buildings	23,550	4,575	-	28,125
Machinery and equipment	11,532,259	3,582,882	38,506	15,076,635
Vehicles	612,086	285,646	41,540	856,192
Infrastructure	-	129,649	-	129,649
Totals	15,442,930	4,559,689	80,046	19,922,573
Total capital assets, being depreciated, net	114,020,786	21,716,220	14,392	135,722,614
Total business-type activities capital assets, net	$ 162,113,284	$ 32,417,691	$ 25,898,135	$ 168,632,840

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

Governmental activities:	
Public safety	$ 1,524,734
Public works, including depreciation of general infrastructure assets	2,335,571
Culture and recreation	588,597
Total depreciation expense - governmental activities	$ 4,448,902

Business-type activities:	
Water	$ 748,107
Wastewater	3,742,506
Other enterprise	69,076
Total depreciation expense - business-type activities	$ 4,559,689

D. Construction Commitments

Construction work in progress is composed of the following:

CITY OF LAFAYETTE
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(Continued)

Project	Total Project Authorized	Expended to December 31, 2005	Committed	Required Future Funding
Governmental activities:				
Kossuth and South 18 Intersection	$ 118,735	$ 118,735	$ -	$ -
Creasy Lane/fortune Dr	180,850	180,850	-	-
Lafayette State/Earl Traffic Signal	104,115	104,115	-	-
22nd and Hiatt Dr. Signal Replacement	77,471	66,622	10,849	-
CR 350S & Osborne Drive	31,039	31,039	-	-
Brady Lane Road & Sewer	13,879,172	3,434,370	10,444,802	-
Small Business Incentive Fund	51,501	51,501	-	-
Twyckenham Blvd Ext. Linear Park	21,851	21,851	-	-
Greenbush Street Reconstruction	3,603,413	1,874,348	1,729,065	-
Park East Blvd - Road Project	4,464,066	9,866	4,454,200	-
Sreetscape Project (Redevelopment)	270,829	42,138	228,691	-
Redevelopment Commission	26,093	26,093	-	-
Downtown Business Center (Redevelopment)	29,820	29,820	-	-
Home Depot Economic Development	285,670	285,670	-	-
Cat Park Parking Lot and Concession	357,573	357,573	-	-
9th & Duncun Construction (2001A Bond)	13,164	13,164	-	-
Fire Protection Facility (2001B Bond)	21,168	21,168	-	-
Twyckenham Project LRA 2002 Bond	379,060	379,060	-	-
Creasy/Treese TIF East	2,927,552	2,927,552	-	-
Caterpillar Park	100	100	-	-
Farabee Dr S Kossuth St Reconstruction	3,549,847	268,425	3,281,422	-
Fire Stations	1,094	1,094	-	-
North 9th Street	27,505	27,505	-	-
Twyckenham TIF	5,345	5,345	-	-
Zoo Master Plan	1,982,614	1,982,614	-	-
Lagoon Project	17,417	17,417	-	-
Central Maintenance Land Purchase	282,695	282,695	-	-
Sreetscape Project (Central TIF)	208,885	208,885	-	-
Downtown Business Center (Central TIF)	5,120	5,120	-	-
Total governmental	$ 32,923,764	$ 12,774,735	$ 20,149,029	$ -
Business-type activities:				
Water Utility:				
Utility Service Area 21	$ 19,800	$ 19,800	$ -	$ -
Water Storage	250,427	250,427	-	-
Wellhead Protection	573,791	573,791	-	-
Onsite Chlorine Generation Equipment	21,057	21,057	-	-
Butler Meadows	215,183	40,847	174,336	-
Glick Wellfield Generator	278,446	278,446	-	-
Watermain Replacement Program	181,891	181,891	-	-
New Wellfield Investigation (WW062)	96,699	96,699	-	-
SCADA Improvements	25,414	25,414	-	-
South Water Tower (Water Works)	75,231	75,231	-	-
Woodridge Subdivision Extension (Water Works)	1,121,897	494,928	626,969	-
Glick Remediation	271,871	271,871	-	-
Lawson Drive Utility Extension	99,879	5,934	93,945	-
New Wellfield Investigation (W0002)	6,650	6,650	-	-
New Wellfield Investigation ((Depreciation)	894	894	-	-
South Water Tower (Depreciation)	22,739	22,739	-	-
Woodridge Subdivision Extension (Depreciation)	793	793	-	-
Total Water	3,262,662	2,367,412	895,250	-

	Total Project Authorized	Expended to December 31, 2005	Committed	Required Future Funding
Business-type activities (continued):				
Wastewater Utility:				
Utility Service Area 21	97,377	97,377	-	-
GIS System	921,023	921,023	-	-
Union Street	95,878	35,959	59,919	-
Elliot Ditch	1,912,068	367,675	1,544,393	-
McCarty Lane	3,110,235	3,625,780	(515,545)	-
Valley Street	40,245	40,245	-	-
Stormwater Quality Management Program	104,632	104,632	-	-
SCADA Improvements	124,681	124,681	-	-
Ross Road	7,710,974	7,710,974	-	-
SIA	7,701,909	7,701,909	-	-
Woodridge Subdivision Extension	793,379	793,379	-	-
CSO	468,558	468,558	-	-
Brady Lane	445,965	445,965	-	-
Prairie Oaks Phase II	183,595	183,595	-	-
Creasy Lane Relief Sewer - Lauth Sewer	57,398	57,398	-	-
South/Kossuth Street Sewer Backups	9,285	9,285	-	-
Lawson Drive Utility Extension	7,365	7,365	-	-
Brady Lane Road & Sewer	6,480,471	6,480,471	-	-
Union Street Sanitary Sewer Project	1,730	1,730	-	-
Stormwater Southside Drainage	116,800	116,800	-	-
Pearl River	589,199	589,199	-	-
Total Wastewater	30,972,767	29,884,000	1,088,767	-
Total business-type activities	$ 34,235,429	$ 32,251,412	$ 1,984,017	$ -

E. Interfund Balances and Activity

1. Interfund Transfers

Interfund transfers at December 31, 2005, were as follows:

	Transfer To					
Transfer From	General	Highway	Park	Nonmajor Governmental	Fiduciary	Total
Parks	$ -	$ -	$ 542,678	$ -	$ -	$ 542,678
Nonmajor Governmental	642,077	1,045,125	-	209,144	661,726	2,558,072
Totals	$ 642,077	$1,045,125	$ 542,678	$ 209,144	$ 661,726	$ 3,100,750

The primary government typically uses transfers to fund ongoing operating subsidies and to transfer the portion of state-shared revenues from the general fund to the debt service fund for current-year debt service requirements.

F. Leases

Capital Leases

The primary government has entered into various capital leases for transportation and various other equipment and a facilities management system upgrade. Future minimum lease payments and present values of the net minimum lease payments under these capital leases as of December 31, 2005, are as follows:

	Governmental Activities	Business-Type Activities
2006	$ 450,093	$ 182,361
2007	293,025	23,451
2008	198,997	10,260
2009	41,344	5,130
Total minimum lease payments	983,459	221,202
Less amount representing interest	54,663	12,445
Present value of net minimum lease payments	$ 928,796	$ 208,757

Assets acquired through capital leases still in effect are as follows:

	Governmental Activities	Business-Type Activities
Improvements other than buildings	$ 184,561	$ 79,097
Machinery and equipment	1,914,502	220,235
Vehicles	720,493	768,280
Totals	$ 2,819,556	$ 1,067,612

G. Long-Term Liabilities

1. General Obligation Bonds

The primary government 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 primary government. General obligation bonds currently outstanding at year end are as follows:

Purpose	Interest Rates	Amount
Park district bonds of 1998 for aquatic center	4.6% to 4.7%	$ 4,385,000
Park and recreation bonds of 2001	3.875% to 5%	3,255,000
Park and recreation bonds of 2003	3% to 4.3%	2,365,000
County option income tax infrastructure bonds of 2003	3% to 3.6%	860,000
Total		$ 10,865,000

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

Year Ended	Governmental Activities	
December 31	Principal	Interest
2005	$ 675,000	$ 470,198
2006	705,000	443,215
2007	735,000	414,750
2008	760,000	384,610
2009	795,000	352,790
2010-2014	3,985,000	1,238,146
2015-2019	3,210,000	296,433
Totals	$ 10,865,000	$ 3,600,142

2. Revenue Bonds

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

Purpose	Interest Rates	Amount
District parking facility revenue bonds of 1996	6%	$ 2,130,000
Economic development revenue bonds of 2001	7%	265,000
Wastewater improvement revenue bonds of 2002	4% to 5.15%	28,425,000
Water refunding revenue bonds of 2003	2% to 3.8%	4,175,000
Total		$ 34,995,000

Revenue bonds debt service requirements to maturity are as follows:

Year Ended	Business-Type Activities	
December 31	Principal	Interest
2006	$ 1,465,000	$ 1,714,195
2007	1,441,000	1,645,743
2008	1,427,000	1,578,573
2009	1,494,000	1,510,270
2010	1,571,000	1,440,426
2011-2015	5,604,000	6,334,999
2016-2020	5,588,000	4,974,250
2021-2025	16,405,000	2,820,055
Totals	$ 34,995,000	$ 22,018,511

3. Tax Increment Financing (TIF) Bonds

The Lafayette Redevelopment Authority (a blended component unit of the primary government, and acting on behalf of the City of Lafayette) issues tax incremental financing (TIF) bonds. The TIF 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 improvements and economic development projects.

Tax Incremental Financing (TIF) bonds are direct obligations and pledge the full faith and credit of the primary government. Tax Incremental Financing bonds are currently outstanding at year end are as follows:

Purpose	Interest Rates	Amounts
1994 Redevelopment Authority lease rental bonds - Simon Mall	5.7% to 6.6%	$ 385,000
1994 Redevelopment Authority lease rental bonds - City Hall	5.4% to 5.5%	520,000
1995 Redevelopment Authority lease rental bonds	5.375% to 5.5%	1,650,000
1996 Redevelopment Authority refunding bonds	5.4% to 5.6%	4,025,000
1997 Redevelopment Authority refunding bonds	3.75% to 5.35%	3,340,000
1998 Redevelopment Authority refunding bonds	4.1% to 4.8%	4,290,000
1999 Redevelopment Authority refunding bonds	4.1% to 4.8%	7,595,000
2001 Redevelopment Authority lease rental bonds - N. 9th St.	4.25% to 4.5%	3,165,000
2001 Redevelopment Authority lease rental bonds - Fire Station	4.375% to 4.5%	4,520,000
2002 Redevelopment Authority lease rental bonds - Twychenham	3.0% to 5.0%	8,025,000
2003 Redevelopment Authority refunding bonds	3.0% to 3.9%	4,770,000
2003 Redevelopment Authority refunding bonds	1.2% to 3.75%	2,500,000
2004 Redevelopment Authority lease rental bonds - Brady Lane	3.25% to 4.1%	5,070,000
2004 Redevelopment Authority refunding bonds	3.0% to 4.1%	10,235,000
2004 Renaissance Place Series A bonds	5.5%	2,145,000
2004 Renaissance Place Series B bonds	5.5%	850,000
Total		$ 63,085,000

Annual debt service requirements to maturity for tax incremental financing bonds are as follows:

Year Ended	Governmental Activities	
December 31	Principal	Interest
2006	$ 3,090,000	$ 2,750,529
2007	3,225,000	2,626,952
2008	3,405,000	2,504,929
2009	3,630,000	2,370,072
2010	3,860,000	2,224,703
2011-2015	22,620,000	8,487,380
2016-2020	18,060,000	3,272,167
2021-2025	4,740,000	588,206
2026	455,000	16,098
Totals	$ 63,085,000	$ 24,841,036

4. Loans Payable

The Wastewater Utility has entered into two loans from the State Revolving Loan Fund. Under the terms of the loans, funds are loaned to the Utility as planned construction costs are accrued to the maximum allowed under the loans. The 2000 loan's established maximum draw is $59,630,000 and the 2001 loan's established maximum draw is $12,000,000. At December 31, 2005, the principal balance for the 2000 loan was $54,240,000 and the 2001 loan was $10,910,000 less the final drawdown of $34,679 which had not been processed by the State Revolving Loan Fund at December 31. Annual debt service requirements to maturity for the loans are as follows:

	Principal	Interest
2006	$ 2,755,000	$ 2,256,360
2007	2,845,000	2,159,150
2008	2,955,000	2,058,613
2009	3,060,000	1,954,313
2010	3,165,000	1,846,338
2011-2015	17,570,000	7,475,738
2016-2020	20,910,000	4,145,838
2021-2024	11,890,000	631,400
Totals	$ 65,150,000	$ 22,527,750

5. Notes Payable

The primary government has entered into various capital leases for transportation and various other equipment and a facilities management system upgrade. Future minimum lease payments and present values of the net minimum lease payments under these capital leases as of December 31, 2005, are as follows:

	Governmental Funds	Business-Type Activities
2006	$ 404,093	$ 72,702
2007	250,517	72,702
2008	250,517	72,702
2009	211,529	-
2010	191,444	-
Total minimum note payments	1,308,100	218,106
Less amount representing interest	103,029	18,737
Present value of net minimum note payments	$ 1,205,071	$ 199,369

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2005, was as follows:

Primary Government	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation	$ 11,520,000	$ -	$ 655,000	$ 10,865,000	$ -
Bond anticipation note	-	55,000	-	55,000	55,000
Redevelopment Authority	65,145,000	10,510,000	12,570,000	63,085,000	3,090,000
Total bonds payable	76,665,000	10,565,000	13,225,000	74,005,000	3,145,000
Notes payable	-	1,205,070	-	1,205,070	361,670
Capital leases	1,406,376	189,468	667,048	928,796	-
Total governmental activities long-term liabilities	$ 78,071,376	$ 11,959,538	$ 13,892,048	$ 76,138,866	$ 3,506,670
Business-type activities:					
Revenue bonds payable:					
Water Utility	$ 4,790,000	$ -	$ 615,000	$ 4,175,000	$ 625,000
Wastewater Utility	28,965,000	-	540,000	28,425,000	560,000
Economic development	430,000	-	165,000	265,000	175,000
District parking facility	2,224,000	-	94,000	2,130,000	105,000
Total revenue bonds payable	36,409,000	-	1,414,000	34,995,000	1,465,000
Loans payable	67,805,000	-	2,655,000	65,150,000	2,755,000
Notes payable	-	199,369	-	199,369	63,362
Capital leases	466,755	-	257,998	208,757	168,441
Total business-type activities long-term liabilities	$ 104,680,755	$ 199,369	$ 4,326,998	$ 100,553,126	$ 4,451,803

7. Advance Refunding

In prior years, the Redevelopment Authority, a blended component of the primary government, defeased certain tax incremental financing (TIF) 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 primary government's financial statements. The following outstanding bonds, at December 31, 2005, were considered defeased:

	Amount
Primary government-blended component unit:	
1991 Redevelopment Authority lease rental - $5,000,000	$ 2,390,000
1993 Redevelopment Authority refunding issue - $4,855,000	2,375,000
1994 Redevelopment Authority lease rental - $9,365,000	6,845,000
1994 Redevelopment Authority lease rental - $15,000,000	10,870,000
1994 Redevelopment Authority lease rental - $5,665,000	4,080,000
1995 Redevelopment Authority lease rental - $8,200,000	6,395,000
1995 Redevelopment Authority lease rental - $3,360,000	3,020,000

H. Contingent Receivable – Forgivable Loans

The City has contingent receivables resulting from Rehabilitation and Improvement Loans made through various Community Development Block Grant Programs. The loans become receivable only if recipients do not meet occupancy or other requirements. Loan 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 2005:

Balance of forgivable loans January 1, 2005	$ 671,829
Amounts forgiven	282,763
Principal amount paid on loans	14,872
Balance of forgivable loans December 31, 2005	$ 374,194

I. Restricted Assets

The balances of restricted asset accounts in the enterprise funds are as follows:

Customer deposits	$ 102,720
Revenue bond depreciation account	10,903,879
Revenue bond bond and interest account	3,481,555
Total restricted assets	$ 14,488,154

IV. Other Information

A. Risk Management

The primary government 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; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Dental and Vision Medical Benefits

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

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

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

	2005	2004
Unpaid claims, beginning of fiscal year	$ -	$ -
Incurred claims and changes in estimates	570,038	561,134
Claim payments	570,038	561,134
Unpaid claims, end of fiscal year	$ -	$ -

Job Related Illnesses or Injuries to Employees

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

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

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

	2005	2004
Unpaid claims, beginning of fiscal year	$ -	$ -
Incurred claims and changes in estimates	94,971	31,585
Claim payments	94,971	31,585
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:

	2005	2004
Unpaid claims, beginning of fiscal year	$ -	$ -
Incurred claims and changes in estimates	77,560	77,457
Claim payments	77,560	77,457
Unpaid claims, end of fiscal year	$ -	$ -

B. Subsequent Events

Subsequent to the financial statement date of December 31, 2005, the City has entered into the following material contracts, agreements and obligations:

On February 1, 2006, the Board of Works approved a contract for the construction work related to the Park East Boulevard Project in the amount of $5,174,852.

On April 7, 2006, the Board of Works approved a contract for the construction work related to the Creasy Lane/State Road 26 Project in the amount of $1,441,470. This project is to be paid for with 80% federal funding.

On April 25, 2006, the Board of Works approved a contract for the purchase of Self Contained Breathing Apparatus units in the amount of $858,000. This purchase is to be paid from federal grant funds.

On April 25, and May 23, 2006, the Board of Works approved two contracts for the construction work related to the Pearl River Lift Station Project in the total amount of $10,662,284.

On May 23, 2006, the Board of Works approved a contract for the construction work related to the Elliot Ditch project in the amount of $1,912,068.

On May 1, 2006, the City Council approved the sale of Sewer Works Improvements revenue bonds in the amount of $27,570,000.

C. Conduit Debt Obligation

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

As of December 31, 2005, the only series of bonds outstanding had an aggregate principal amount payable of $2,300,000.

D. Postemployment Benefits

In addition to the pension benefits described below, effective September 6, 1996, the primary government provides a portion of postemployment health insurance benefits, as authorized by Indiana Code 5-10-8, to all firefighters who retire from the primary government on or before December 31, 1998, and for all police officers who retire from the City on or before December 31, 2001. 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 firefighter/police officer or spouse/dependent becoming covered by another group plan with no preexisting health clause, or if the firefighter/police officer or spouse/dependent becomes eligible for Medicare. Currently, three firefighters and two police officers meet these eligibility requirements. The primary government provides 100% of these postemployment benefits. Expenditures for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended December 31, 2005, expenditures of $4,900 for the fire and $2,500 for the police were recognized for postemployment benefits.

E. Pension Plans

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

a. Public Employees' Retirement Fund

Plan Description

The primary government contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the primary government authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at three 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.

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

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The primary government's annual pension cost and related information, as provided by the actuary, is presented in this note.

b. 1925 Police Officers' Pension Plan

Plan Description

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

Funding Policy and Annual Pension Cost

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.

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.

Actuarial Information for the Above Plans

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Annual required contribution	$ 570,185	$ 2,597,100	$ 4,051,800
Interest on net pension obligation	(34,397)	408,200	756,700
Adjustment to annual required contribution	39,198	(681,000)	(1,262,400)
Annual pension cost	574,986	2,324,300	3,546,100
Contributions made	602,917	861,879	1,189,638
Increase (decrease) in net pension obligation	(27,931)	1,462,421	2,356,462
Net pension obligation, beginning of year	(474,439)	6,046,897	11,210,251
Net pension obligation, end of year	$ (502,370)	$ 7,509,318	$ 13,566,713

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Contribution rates:			
City	5%	1,190%	663%
Plan members	3%	6%	6%
Actuarial valuation date	07-01-05	01-01-03	01-01-03
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed
Amortization period	40 years	40 years	40 years
Amortization period (from date)	07-01-97	12-31-77	12-31-77
Asset valuation method	4 year smoothed market	4 year smoothed market	4 year smoothed market

Actuarial Assumptions

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Investment rate of return	7.25%	7%	7%
Projected future salary increases:			
Total	5%	5%	5%
Attributed to inflation	4%	4%	4%
Attributed to merit/seniority	1%	1%	1%
Cost-of-living adjustments	2%	0%	0%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	$ 578,764	83%	$ (402,114)
	06-30-04	484,703	115%	(474,439)
	06-30-05	574,986	124%	(502,370)
1925 Police Officers' Pension Plan	12-31-01	2,295,200	112%	5,291,581
	12-31-02	2,379,900	68%	6,046,497
	12-31-03	2,324,300	37%	7,509,318
1937 Firefighters' Pension Plan	12-31-01	3,379,800	103%	10,406,054
	12-31-02	3,541,600	77%	11,210,251
	12-31-03	3,546,100	34%	13,566,713

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2005, was comprised of the following:

	1925 Police Officers' Pension	1937 Firefighters' Pension
Retires and beneficiaries currently receiving benefits	61	75
Terminated employees entitled to but not yet receiving benefits	-	-
Current active employees	5	10

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 Employees' Retirement Plan (PERF) 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.

PERF 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:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the primary government is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the primary government are established by the Board of Trustees of PERF. The primary government's contributions to the plan for the years ending December 31, 2005, 2004, and 2003, were $2,237,763, $2,617,735, and $2,027,871, respectively, equal to the required contributions for each year.

CITY OF LAFAYETTE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	$ 9,612,297	$ 9,578,759	$ 33,538	100%	$ 11,002,155	0%
07-01-04	9,806,097	10,538,045	(731,948)	93%	11,582,395	(6%)
07-01-05	10,283,049	11,316,934	(1,033,885)	91%	11,449,596	(9%)

1925 Police Officers' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-99	$ 203,351	$ 24,064,700	$ (23,861,349)	1%	$ 371,700	(6,420%)
01-01-00	77,402	23,956,900	(23,879,498)	0%	347,900	(6,864%)
01-01-01	73,872	24,012,300	(23,938,428)	0%	323,100	(7,409%)
01-01-02	1,347,018	24,113,300	(22,766,282)	6%	299,400	(7,604%)
01-01-03	1,534,461	23,676,100	(22,141,639)	6%	392,600	(5,640%)
01-01-04	953,193	22,607,400	(21,654,207)	4%	218,200	(9,924%)

1937 Firefighters' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-99	$ 102,641	$ 35,974,900	$ (35,872,259)	0%	$ 1,046,100	(3,429%)
01-01-00	287,135	36,307,400	(36,020,265)	1%	932,600	(3,862%)
01-01-01	8,357	35,594,900	(35,586,543)	0%	756,000	(4,707%)
01-01-02	1,593,225	36,517,400	(34,924,175)	4%	626,500	(5,574%)
01-01-03	2,258,287	33,855,200	(31,596,913)	7%	1,065,200	(2,966%)
01-01-04	1,506,063	35,630,100	(34,124,037)	4%	610,800	(5,587%)

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
12-31-98	$ 2,569,100	22%	26%
12-31-99	2,367,500	21%	26%
12-31-00	2,421,700	28%	33%
12-31-01	2,499,100	46%	57%
12-31-02	2,594,800	29%	34%
12-31-03	2,597,100	0%	33%

1937 Firefighters' Pension Plan

Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	
		City	State
12-31-98	$ 3,981,800	31%	23%
12-31-99	3,653,600	16%	11%
12-31-00	3,757,300	20%	15%
12-31-01	3,764,300	41%	52%
12-31-02	3,964,200	38%	31%
12-31-03	4,051,800	0%	29%

CAPITAL ASSET RECORDS AND ACCUMULATED DEPRECIATION

The governmental and enterprise activities capital asset records were determined to be inadequate.

During a review of the capital asset listing as of December 31, 2005, we determined that water lines and land and land rights, acquired prior to 2004, for the Water Utility had been omitted from the listing. As of December 31, 2003, the balance of land and land rights were recorded as $519,186 and the water lines were recorded as $27,175,406 for a total of $27,945,592. The accumulated depreciation associated with the water lines at December 31, 2003, was $5,671,338.

From the provided capital asset listing, we selected a statistically valid sample with the items selected chosen at random. Of the items selected for testing, 27% were reported as not being on hand and could not be observed. Of the 27% of items not verified, 40% were reported as either sold, traded, or demolished and 60% could not be located as listed, due to inadequate descriptions, issues with the serial numbers, or the years of service listed. Of the items sold, traded or demolished 50% were governmental and 50% were enterprise funds. Of the items that could not be located 44% were governmental and 56% were enterprise funds.

The accumulated depreciation associated with the assets that could not be verified totaled $332,875.

A statistical projection of the monetary errors to the population of total capital assets indicated that the total capital assets of the City may be misstated by $20,222,242. The projection of monetary errors for the accumulated depreciation resulted in an $8,767,662 total error projection.

A separate test of assets was performed in which we observed the capital asset physically on hand and then traced to the capital asset listing. Only 50% of the items observed could be determined to be on the listing. The test was not statistically valid and the dollar amount for the errors was not determinable.

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. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger form. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSETS LISTING ISSUES

Controls over the listing of the capital assets were insufficient. Of the items tested, the following deficiencies with the listing were noted:

(1) Errors in the serial numbers, including typos, no serial number, model numbers recorded as serial numbers, the serial number not corresponding with the observed asset (which the department head related had to be the correct asset).

(2) Some vehicles were listed as leased but were actually purchased.

(3) Some assets listed appeared to be old assets that had been replaced by new assets.

(4) Some descriptions were too vague to observe, i.e. "truckster" (no make, model or serial number) or "Tables & Chairs."

(5) Some assets were listed in aggregate which if considered separately would not be capital assets (over $5,000 threshold) i.e. "Table and Chairs" or "76 hydrants."

(6) Some addresses or locations were wrong.

(7) Several deleted, traded, or demolished assets were listed.

(8) Some new assets were not listed.

(9) One parking lot had been upgraded from gravel to asphalt, through donations, and was still listed as gravel.

(10) The system lists a tag number but no assets are tagged.

(11) Some asset lives were different than those allowed for in the Capital Asset Policy.

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. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DISTRIBUTION OF GROSS REVENUES TO THE VARIOUS FUNDS

As previously noted in Audit Report B26174, gross revenues were not being distributed to the various utility funds in accordance with the following bond ordinances:

Sewage Works Revenue Bonds of 2000
Sewage Works Revenue Bonds of 2001, Series A
Sewage Works Revenue Bonds of 2002
Waterworks Refunding Revenue Bonds of 2003, Series A

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

HYDRANT RENTAL RECEIVABLE (PAYABLE)

The City of Lafayette owes the Water Utility hydrant rental of $489,510 for the year 2005, pursuant to Rate Ordinance 2000-59 passed by the Council on December 4, 2000.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERDRAWN CASH BALANCES

The cash balance of the General Fund, Economic Development Operating Fund, Home-CHDO Fund, Cumulative Capital Improvement Fund, TIF Central Pittman Block, and Police Pension Fund were overdrawn at December 31, 2005.

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

ANNUAL REPORT

Our review of the City Annual Report for the year 2005 indicated the following errors and deficiencies:

(1) One fund (insurance benefits) was not reported on the CTAR;

(2) Twenty-two non-utility funds reported cash balances at December 31, 2005, that did not agree with the general ledger balance presented for audit. The reported cash balances exceeded the general ledger balance by $1,923,172.54;

(3) The December 31, 2005, cash balance reported for the water utility funds was $2,036.97 less than the general ledger balance; and

(4) The December 31, 2005, cash balance reported for the wastewater utility funds exceeded the general ledger balance by $1,150,958.46.

Indiana Code 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONDITION OF RECORDS

The following deficiencies, relating to the recordkeeping, were present during our period of audit:

(1) As noted in our prior Audit Report B26174, the City ledgers contain a large number of posting errors and correcting and/or adjusting entries. Types of posting errors made include: receipts and disbursements posted to the incorrect fund, receipts posted to incorrect revenue categories, inventory values not posted, and disbursements posted to incorrect funds and/or appropriations.

(2) The City, with the assistance of a consultant, made many adjustments to the general ledger. These adjustments recorded the City's capital asset balances and long-term bond and leases payable balances for presentation. The entries also recorded previously unreported accruals of receivables and payables and the adjustments to these accruals that would provide a proper balance at December 31, 2005. We noted that, at times, these adjustments were poorly documented as to source and/or computation of amounts of adjustment, and failed to disclose whether the entry was a correction of prior period exclusions or a correction of a current year transaction. Many entries used the fund balance account as a "clearing account" for the posting and reversing of accruals of receivables and payables rather than posting the entries directly to a revenue or expense account.

(3) Our review of the general ledger balances at December 31, 2005, indicated many errors including, but not limited to:

(a) The balance of taxes receivable at December 31, 2004, was not properly adjusted to reflect revenues for 2005;

(b) The City had not accrued certain intergovernmental receivables required for fair presentation in compliance with GASB 33;

(c) Certain accruals at January 1, 2005, were incomplete or erroneously computed;

(d) In one instance, a computation of an interest receivable amount had been posted as a payable;

(e) A tax distribution to TIF funds had been posted as a miscellaneous receipt rather than as tax revenue;

(f) A tax distribution to TIF funds had been misallocated and posted to incorrect funds;

(g) Several lease and bond payable balances were found to be in error due to recording erroneous balances from retirement schedules without regard to the timing of actual payments. Errors were also caused through the improper recording of bond payments from funds held in trust;

(h) Four capital leases were not included in the liabilities of the enterprise funds;

(i) Inventory balances had not been adjusted to reflect December 31, 2005, balances or had been omitted totally;

(j) Accounts payable balances at December 31, 2004, had not been reversed to properly reflect 2005 expenses; and

(k) The assets or liabilities resulting from pension benefit obligation balances had not been posted to the general ledger.

We proposed several adjustments be posted to the City's general ledger to correct the issues noted above. City officials have agreed to make these entries. The financial statements presented within this report reflect the effects of posting these adjustments.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERDRAWN FUND BALANCES

The General Fund, Economic Development Fund, CHDO Fund, Cumulative Capital Improvement Fund, Renaissance Development Fund, and Police Pension Fund were overdrawn at December 31, 2005.

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

SUPPLEMENTAL AUDIT OF

FEDERAL AWARDS

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Lafayette (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended December 31, 2005. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied in all material respects with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2005.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

STATE BOARD OF ACCOUNTS

September 28, 2006

CITY OF LAFAYETTE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2005

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.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Direct Grant			
Community Development Block Grant - Entitlement and Housing and Urban Development Administered Small Cities Cluster			
Community Development Block Grants/Entitlement Grants	14.218	B01-MC180008	$ 31,639
		B02-MC180008	162,682
		B03-MC180008	251,529
		B04-MC180008	397,883
		B05-MC180008	160,731
Total for program			1,004,464
Home Investment Partnerships Program	14.239	M00DC180212	22,500
		M01DC180212	1,286
		M02DC180212	24,999
		M03DC180212	210,024
		M04DC180212	289,731
		M05DC180212	63,977
Total for program			612,517
Total for federal grantor agency			1,616,981
U.S. DEPARTMENT OF JUSTICE			
Direct Grant			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	05-F4162-IN-D	6,999
U.S. DEPARTMENT OF TRANSPORTATION			
Pass- Through Indiana Criminal Justice Institute			
Highway Safety Cluster			
State and Community Highway Safety	20.600	PT-06-04-07-50	14,369
		154AL-06-03-03-22	9,149
Total for program			23,518
Safety Incentive Grants for Use of Seatbelts	20.604	IN-05-02-03-47	9,197
		154AL-05-03-03-47	15,005
		154AL-05-03-03-95	13,145
Total for program			37,347
Total for federal grantor agency			60,865
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Pass- Through Indiana Department of Environmental Management			
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS18215202	177,102
U.S. DEPARTMENT OF HOMELAND SECURITY			
Pass- Through Indiana Department of Homeland Security			
Disaster Grants - Public Assistance	97.036		
Disaster #1573		157-VETTD-00	18,452
Total federal awards expended			$ 1,880,399

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 I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Lafayette (primary government) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note II. Subrecipients

Of the federal expenditures presented in the schedule, the primary government provided federal awards to subrecipients as follows for the year ended December 31, 2005:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grants/Entitlement Grants	14.218	$ 126,769
Edward Byrne Memorial Justice Assistance Grant Program	16.738	6,999

CITY OF LAFAYETTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Qualified

Internal control over financial reporting:

Material weaknesses identified?	yes
Reportable conditions identified that are not considered to be material weaknesses?	yes

Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
14.218	Community Development Block Grants/Entitlement Grants
14.239	Home Investment Partnerships Program

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 2005-1

As previously reported in Audit Reports B21620, B23767, and B26174, the City of Lafayette financial statements have been qualified for inadequate capital asset balances for the audit years 2002, 2003, and 2004.

The 2005 audit of the detailed ledger indicated the following problems:

1. Capital assets for the water utility (business-type activity) had been omitted from the current listing of capital assets. Water lines and Water Utility land and land rights which had previously been reported at a total cost of $27,945,592 with an accumulated depreciation of $5,671,338 were not included in the December 31, 2005, listing of capital assets.

2. A statistical sample of the items included on the capital asset listing indicated 27% of the items reviewed could not be located. A projection of the monetary error represented by this 27% indicated that the total capital assets of the City may be misstated by $20,222,242 with an accumulated depreciation error projection of $8,767,662.

3. A separate test of items observed as being physically on hand at the City indicated that only 50% of the items observed could be traced to the capital asset listing. This test was not statistically valid and a projection of the monetary error could not be performed.

Failure to conduct adequate inventories and reconcile the data to the detailed capital asset listings may result in property and equipment being lost, stolen, or otherwise misappropriated without detection. This could also result in improper insurance coverage.

The City Controller's office has sent reports to all department heads to aid in the completion of a year-end inventory of all property and equipment on hand. Not all departments take a complete and accurate inventory so that results can be reconciled to the detailed capital asset listing.

These problems appear to be due to a lack of understanding by the departments of the importance of capital asset accounting, the Controller not recording the information timely, data entry errors, and reporting issues.

We recommended that the City design and properly monitor procedures that would ensure that inventories of property and equipment are conducted at least once every two years and reconciled to the detailed fixed asset ledger. Any significant difference should be investigated and the appropriate adjustments made to the records.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

CITY OF LAFAYETTE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CITY OF
LAFAYETTE

OFFICE OF CONTROLLER

September 27, 2006

CORRECTIVE ACTION PLAN

Finding Number: 2005-1
Auditee Contact Name: J. Michael Jones
Title of Contact: City Controller
Phone number of contact: 765-807-1011

Expected Completion Date: End of 4th quarter 2006

Action Planned:

A complete asset listing by department has now been produced. Along with this listing is an asset form (copy is attached) with all of the pertinent information needed to be captured for the asset listing.

1. The department head and any designee they assign will receive training and or assistance on how to read the current asset listing and how to fill out the new asset form.

2. Using the asset listing the department will perform an inventory of its capital assets and compare that to the asset listing for accuracy.

3. Any missing or incomplete information will be noted on the asset form. The same would hold true for any new and not listed asset or any retired asset.

4. All forms will be returned to the controller's office for evaluation and review. Once that process is complete all information from the forms will input into the system.

5. After completion of the data gathering and input processes, the controller's office will produce a random sample and test that sample for accuracy.

Asset Form

Asset Description ______
Asset Address If
Building/Land/Infrastructure ______
P.O. Number purchase from ______
CWIP Project Capitalized from ______
Asset Key Number If Land ______
Cost of Asset ______
Date asset was put to use ______
Asset Class

Asset Class		Asset Type	
Land	☐	Automobiles	☐
Building	☐	Trucks	☐
Improvement other than Building	☐	Equipment/Machinery	☐
Equipment	☐	Buildings	☐
Vehicle	☐	Land	☐
Infrastructure	☐	Right of Way	☐
		Streets	☐
		Bridge	☐
		Paved Alleys	☐
		Sidewalks	☐
		Traffic Signals	☐
		Hazard Beacon	☐
		Sewer Pipes	☐
		Water Pipes	☐
		Storm Drainage	☐
		Lifting Stations	☐
		Picnic Grounds	☐
		Swimming Pools	☐

Other (explain) ______

Responsible Fund ______
Responsible Department ______
Location of Asset ______
Model ______
Manufacturer ______
Year Made ______
Serial or Model Number ______
Vehicle or Asset Number ______
Insurance Company ______
Insurance Policy number ______
Insured Value ______
G/L Account Expense ______

Asset Traded In for New Asset ______
Vin/Model Number ______
Vehicle or Asset Number ______

To be filled out by Controller's Office	
New World Asset #	______
Asset Life	______

The form is located S:\New asset form

CITY OF LAFAYETTE
EXIT CONFERENCE

The contents of this report were discussed on September 28, 2006, with Tony Roswarski, Mayor; Stephen J. Bultinck, former Controller; and J. Michael Jones, Controller.