B46388

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

FINANCIAL STATEMENTS AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF LAFAYETTE
TIPPECANOE COUNTY, INDIANA

January 1, 2014 to December 31, 2014

FILED
05/27/2016

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SCHEDULE OF OFFICIALS

Office	Official	Term
Controller	J. Michael Jones	01-01-14 to 12-31-16
Mayor	Tony Roswarski	01-01-12 to 12-31-19
President of the Board of Public Works	Gary Henriott	01-01-14 to 12-31-16
President of the Common Council	Steve Meyer	01-01-14 to 12-31-14
	Lauren Ahlersmeyer	01-01-15 to 12-31-15
	Ronald Campbell	01-01-16 to 12-31-16

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AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lafayette (City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinions

In our opinion based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2014, and the respective changes in financial position and cash flows, where applicable, thereof and for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedules of Funding Progress, Schedule of Changes in the Net Position Liability and Plan Fiduciary Net Position Under GASB #67 and GASB #68, Schedule of Net Position Liability and Related Ratios Under GASB #67 and GASB #68, Budgetary Comparison Schedules - General Fund and Major Special Revenue Fund, and Notes to Required Supplementary Information, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

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

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

April 7, 2016

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lafayette (City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 7, 2016.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in item 2014-001 of the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the

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

determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

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

Purpose of This Report

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

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

April 7, 2016

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BASIC FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

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

City of Lafayette
Statement of Net Position
December 31, 2014

	Primary Government		
	Governmental Activities	**Business-Type Activities**	**Total**
ASSETS:			
Cash and cash equivalents	$ 49,519,365	$ 37,485,138	$ 87,004,503
Cash with fiscal agent	4,518,939	-	4,518,939
Receivable (net of allowance for uncollectibles)			
Loans	516,663	-	516,663
Taxes	1,067,578	-	1,067,578
Accounts	318,677	3,196,958	3,515,635
Intergovernmental	3,084,467	-	3,084,467
Interest	-	22,450	22,450
Internal balances	70,713	(70,713)	-
Inventories	377,577	1,151,992	1,529,569
Prepaid expense	818,640	200,730	1,019,370
Capital assets:			
Land, improvements and construction in progress	44,233,413	40,295,436	84,528,849
Other capital assets, net of depreciation	168,252,307	193,482,849	361,735,156
Restricted assets:			
Cash and cash equivalents	4,281,752	190,073	4,471,825
Investments	-	8,264,519	8,264,519
Total Assets	277,060,091	284,219,432	561,279,523
LIABILITIES:			
Accounts payable	1,688,644	873,894	2,562,538
Accrued payroll and withholdings payable	668,979	186,540	855,519
Intergovernmental payable	2,568,592	-	2,568,592
Taxes payable	-	11,698	11,698
Accrued interest payable	370,697	924,817	1,295,514
Deposit for extension refund contracts	-	7,600	7,600
Performance deposits payable	119,815	1,252,382	1,372,197
Payable from restricted assets:			
Customer deposits	32,418	137,884	170,302
Noncurrent liabilities:			
Due within one year			
General obligation bonds payable	885,000	-	885,000
Revenue bonds payable	6,230,000	6,125,000	12,355,000
Notes and loans payable	386,138	147,000	533,138
Capital Lease obligations	169,606	-	169,606
Due in more than one year			
General obligation bonds payable	3,191,515	-	3,191,515
Revenue bonds payable	46,547,221	110,904,212	157,451,433
Notes and loans payable	466,854	3,610,000	4,076,854
Other postemployment benefit obligation	834,109	1,668,219	2,502,328
Net pension obligation	21,276,489	-	21,276,489
Total Liabilities	85,436,077	125,849,246	211,285,323
NET POSITION:			
Net Investment in capital assets	154,609,386	112,992,073	267,601,459
Restricted for:			
Donor designated use	12,553	-	12,553
Debt Service	1,700,607	8,316,708	10,017,315
Customer Deposit Fund	-	137,884	137,884
Unrestricted	35,301,468	36,923,521	72,224,989
Total Net Position	$ 191,624,014	$ 158,370,186	$ 349,994,200

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, 2014

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position — Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government							
Governmental activities							
General Government	$ 4,598,931	$ 763,846	$ 486,753	$ -	$ (3,348,332)	$ -	$ (3,348,332)
Public Safety	28,310,091	100,794	411,064	-	(27,798,233)	-	(27,798,233)
Highways and Streets	9,156,462	3,026,579	-	-	(6,129,883)	-	(6,129,883)
Sanitation	2,037,651	-	-	-	(2,037,651)	-	(2,037,651)
Culture and Recreation	5,293,836	886,756	37,392	39,050	(4,330,638)	-	(4,330,638)
Economic Development	9,237,249	8,655	1,259,219	-	(7,969,375)	-	(7,969,375)
Total governmental activities	58,634,220	4,786,630	2,194,428	39,050	(51,614,112)	-	(51,614,112)
Business-type activities							
Water Utility	8,400,547	7,474,195	-	-	-	(926,352)	(926,352)
Wastewater Utility	21,660,017	30,516,869	-	-	-	8,856,852	8,856,852
Parking Garage	237,129	287,114	-	-	-	49,985	49,985
Section 108	75,512	62,923	-	-	-	(12,589)	(12,589)
Total business-type activities	30,373,205	38,341,101	-	-	-	7,967,896	7,967,896
Total primary government	$ 89,007,425	$ 43,127,731	$ 2,194,428	$ 39,050	(51,614,112)	7,967,896	(43,646,216)
General Revenues:							
Property taxes					39,126,526	-	39,126,526
Intergovernmental Revenues					15,161,246	-	15,161,246
Gain (loss) on sale of assets					(193,591)	2,488	(191,103)
Other revenues					4,403,085	5,871	4,408,956
Unrestricted investment earnings					19,277	250,039	269,316
Contributed Capital					-	858,847	858,847
Total general revenues and separate line items					58,516,543	1,117,245	59,633,788
Changes in net position					6,902,431	9,085,141	15,987,572
Net position - beginning of year (as restated)					184,721,583	149,285,045	334,006,628
Net position - end of year					$ 191,624,014	$ 158,370,186	$ 349,994,200

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

City of Lafayette
Balance Sheet
December 31, 2014
Governmental Funds

	General	Motor Vehicle	Thorough-fares	Redevelopmnt Authority	EDIT	TIF Alloc Central Cnsldatd	Other	Total
ASSETS								
Cash and cash equivalents	$ 459,100	$ 1,413,565	$ 13,340,288	$ 14,147,564	$ 1,041,453	$ 6,493,779	$ 12,344,618	$ 49,240,367
Cash with Fiscal Agent	-	-	-	2,924,733	-	-	1,594,206	4,518,939
Receivables (Net of allowance for uncollectibles)								
Loans	-	-	-	-	-	355,537	161,126	516,663
Taxes	578,291	50,033	-	-	-	236,162	203,092	1,067,578
Accounts	55	2,183	-	-	-	21,785	294,654	318,677
Intergovernmental	1,343,074	537,242	-	-	886,506	-	317,645	3,084,467
Interfund services provided and used	375	15	-	-	-	-	-	390
Restricted Cash	-	-	-	1,253,119	-	-	3,028,633	4,281,752
Total Assets	$ 2,380,895	$ 2,003,038	$ 13,340,288	$ 18,325,416	$ 1,927,959	$ 7,107,263	$ 17,943,974	$ 63,028,833
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts Payable	$ 181,322	$ 360,185	$ 526,690	$ 12,600	$ 126,987	$ 101,907	$ 258,073	$ 1,567,764
Accrued payroll and withholding payable	551,789	64,561	-	-	-	-	52,629	668,979
Intergovernmental payable	-	-	-	-	-	-	2,568,592	2,568,592
Accrued interest payable	-	-	-	324,150	5,387	19,110	22,050	370,697
Unearned revenue	842,038	70,106	-	-	886,506	236,162	272,213	2,307,025
Performance deposits payable	2,315	-	114,665	-	-	10,000	25,253	152,233
Interfund services provided and used	199,906	82,559	-	-	474	-	17,852	300,791
Total Liabilities	1,777,370	577,411	641,355	336,750	1,019,354	367,179	3,216,662	7,936,081
Fund Balances								
Restricted	-	1,425,627	12,698,933	17,988,666	-	-	10,736,652	42,849,878
Committed	-	-	-	-	-	6,740,084	474,725	7,214,809
Assigned	-	-	-	-	908,605	-	646,732	1,555,337
Unassigned	603,525	-	-	-	-	-	2,869,203	3,472,728
Total Fund Balances	603,525	1,425,627	12,698,933	17,988,666	908,605	6,740,084	14,727,312	55,092,752
Total Liabilities and Fund Balances	$ 2,380,895	$ 2,003,038	$ 13,340,288	$ 18,325,416	$ 1,927,959	$ 7,107,263	$ 17,943,974	

Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	212,485,720
Current assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,196,217
City and state collections that are not available until the next calendar year are recognized as revenue in government-wide funds but are deferred in the fund balance.	2,307,025
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	529,232
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(57,876,334)
Net pension obligation and other postemployment benefit obligation are not due and payable in the current period and, therefore are not reported in the funds.	(22,110,598)
Net Position of Governmental Activities	$ 191,624,014

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

City of Lafayette
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2014

	General	Motor Vehicle	Thorough-fares	Redevlopmnt Authority	EDIT	TIF Alloc Central Cnsldatd	Other	Total
REVENUES								
General Property Taxes	$ 21,371,910	$ 1,845,574	$ -	$ -	$ -	$ 9,349,008	$ 7,808,561	$ 40,375,053
Licenses and permits	469,629	-	-	-	-	-	26,160	495,789
Intergovernmental	8,614,814	3,631,062	-	-	5,459,669	-	2,612,984	20,318,529
Charges for services	303,617	17,277	-	-	-	22,265	904,198	1,247,357
Fines and forfeits	176,379	-	-	-	-	-	140,496	316,875
Other	2,854,486	113,463	-	5,767,763	4,905	75,555	811,551	9,627,723
Total Revenues	33,790,835	5,607,376	-	5,767,763	5,464,574	9,446,828	12,303,950	72,381,326
EXPENDITURES								
Current:								
General Government	2,841,967	-	-	-	-	-	301,962	3,143,929
Public Safety	27,992,745	-	-	-	-	-	505,040	28,497,785
Highways and Streets	-	5,017,832	-	-	-	-	-	5,017,832
Sanitation	1,903,624	-	-	-	-	-	-	1,903,624
Culture and Recreation	-	-	-	-	-	-	5,355,635	5,355,635
Economic Development	-	-	-	6,299,741	5,466,815	4,866,797	3,676,273	20,309,626
Capital Outlay:								
General Government	15,946	-	-	-	-	-	-	15,946
Public Safety	86,347	-	-	-	-	-	79,054	165,401
Highways and Streets	-	1,405,926	7,007,669	-	-	-	-	8,413,595
Culture and Recreation	-	-	-	-	-	-	141,905	141,905
Economic Development	-	-	-	-	49,028	2,777,716	3,829,664	6,656,408
Total Expenditures	32,840,629	6,423,758	7,007,669	6,299,741	5,515,843	7,644,513	13,889,533	79,621,686
Excess (deficiency) of revenues over (under) expenditures	950,206	(816,382)	(7,007,669)	(531,978)	(51,269)	1,802,315	(1,585,583)	(7,240,360)
Other Financing Sources (Uses)								
Bond Issue Proceeds	-	-	-	16,021,527	-	-	5,104,953	21,126,480
Transfers In	74,053	-	-	-	-	-	-	74,053
Transfers Out	-	-	-	-	-	-	(74,053)	(74,053)
Total Other Financing Sources (Uses)	74,053	-	-	16,021,527	-	-	5,030,900	21,126,480
Net changes in fund balances	1,024,259	(816,382)	(7,007,669)	15,489,549	(51,269)	1,802,315	3,445,317	13,886,120
Fund balances - beginning	(420,734)	2,242,009	19,706,602	2,499,117	959,874	4,937,769	11,281,995	41,206,632
Fund balances - ending	$ 603,525	$ 1,425,627	$ 12,698,933	$ 17,988,666	$ 908,605	$ 6,740,084	$ 14,727,312	$ 55,092,752

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, 2014

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).	$	13,886,120
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.		10,049,653
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.		(173,325)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(2,307,025)
The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		(14,067,139)
Net pension obligations and Other postemployment benefit obligations are considered long-term obligations of the general government, but are not current expenditures.		(399,948)
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.		(189,505)
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.		103,600
Change in net position of governmental activities (statement of activities)	$	6,902,431

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2014

Assets	Business-Type Activities - Enterprise Funds: Water Utility	Wastewater Utility	Other Enterprise	Total	Internal Service Fund
Current assets:					
Cash and cash equivalents	$ 3,294,521	$ 34,105,022	$ 85,595	$ 37,485,138	$ 278,997
Accounts receivable (net of allowance)	296,695	2,900,263	-	3,196,958	-
Interest receivable	-	-	22,450	22,450	-
Interfund receivable :					
Interfund services provided and used	-	-	-	-	371,840
Prepaid expense	95,200	105,530	-	200,730	-
Inventories	405,074	746,918	-	1,151,992	285,703
Total current assets	4,091,490	37,857,733	108,045	42,057,268	936,540
Noncurrent assets:					
Restricted cash, cash equivalents and investments:					
Customer deposits	137,884	-	-	137,884	-
Cash and Cash Equivalents	-	-	52,189	52,189	-
Investments	-	5,640,638	2,623,881	8,264,519	-
Total restricted assets:	137,884	5,640,638	2,676,070	8,454,592	-
Capital assets:					
Land, improvements to land and construction in progress	3,935,028	35,676,427	683,981	40,295,436	-
Other capital assets (net of accumulated depreciation)	32,057,147	158,969,240	2,456,462	193,482,849	2,842
Total capital assets	35,992,175	194,645,667	3,140,443	233,778,285	2,842
Pension benefit assets	-	-	-	-	-
Total noncurrent assets	36,130,059	200,286,305	5,816,513	242,232,877	2,842
Total assets	40,221,549	238,144,038	5,924,558	284,290,145	939,382
Liabilities					
Current liabilities:					
Accounts payable	266,588	604,546	2,760	873,894	120,880
Interfund services provided and used	31,481	37,737	1,495	70,713	726
Accrued wages payable	68,042	116,102	2,396	186,540	-
Other payable	19,298	1,252,382	-	1,271,680	-
Current liabilities payable from restricted assets:					
Customer deposits	137,884	-	-	137,884	-
Revenue bonds payable	-	6,125,000	-	6,125,000	-
Notes and loans payable	-	62,000	85,000	147,000	-
Accrued interest payable	-	894,794	30,023	924,817	-
Total current liabilities	523,293	9,092,561	121,674	9,737,528	121,606
Noncurrent liabilities:					
Revenue bonds payable (net of unamortized discounts or premiums)	-	110,904,212	-	110,904,212	-
Notes and loans payable	-	1,195,000	2,415,000	3,610,000	-
OPEB obligation	834,110	834,109	-	1,668,219	-
Total noncurrent liabilities	834,110	112,933,321	2,415,000	116,182,431	-
Total liabilities	1,357,403	122,025,882	2,536,674	125,919,959	121,606
Net Position					
Net investment in capital assets	35,992,175	76,359,455	640,443	112,992,073	-
Restricted for					
Debt Service	-	5,640,638	2,676,070	8,316,708	-
Customer Deposit Fund	137,884	-	-	137,884	-
Unrestricted	2,734,087	34,118,063	71,371	36,923,521	817,776
Total net position	$ 38,864,146	$ 116,118,156	$ 3,387,884	$ 158,370,186	$ 817,776

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

CITY OF LAFAYETTE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For The Year Ended December 31, 2014

	Enterprise Funds				
	Water Utility	Wastewater Utility	Other Enterprise	Total	Internal Service Fund
Operating revenues:					
Unmetered water revenue	$ 30,870.00	$ -	$ -	$ 30,870.00	$ -
Metered water revenue:					
Residential	3,046,664	-	-	3,046,664	-
Commercial	1,829,225	-	-	1,829,225	-
Industrial	660,912	-	-	660,912	-
Fire protection revenue	1,286,457	-	-	1,286,457	-
Measured revenue:					
Residential	-	8,723,999	-	8,723,999	-
Commercial	-	7,476,889	-	7,476,889	-
Industrial	-	12,919,357	-	12,919,357	-
Other	620,797	1,390,184	287,114	2,298,095	439,819
Total operating revenues	7,474,925	30,510,429	287,114	38,272,468	439,819
Operating expenses:					
Source of supply and expense - operations and maintenance	1,139,894	-	-	1,139,894	-
Water treatment expense - operations and maintenance	290,014	-	-	290,014	-
Transmission and distribution	998,806	-	-	998,806	-
Pumping - operations and maintenance	106,670	-	-	106,670	-
Collection system - operations and maintenance	-	1,365,565	-	1,365,565	-
Treatment and disposal expense - operations and maintenance	-	3,999,954	-	3,999,954	-
Customer accounts	636,751	625,326	-	1,262,077	-
Administration and general	2,941,320	4,314,823	161,235	7,417,378	335,119
Bad debt expense	28,642	61,463	-	90,105	-
Depreciation and amortization	1,064,188	6,686,625	75,894	7,826,707	1,100
Change in OPEB obligation	333,728	333,728	-	667,456	-
Total operating expenses	7,540,013	17,387,484	237,129	25,164,626	336,219
Operating income (loss)	(65,088)	13,122,945	49,985	13,107,842	103,600
Nonoperating revenues (expenses):					
Interest and investment revenue	14,245	74,095	161,699	250,039	-
Miscellaneous revenue	-	13,308	63,682	76,990	-
Bond Issue Expense	-	(245,969)	-	(245,969)	-
Interest expense	-	(2,096,561)	(73,313)	(2,169,874)	-
Miscellaneous expense	(860,534)	(1,930,000)	(2,200)	(2,792,734)	-
Total nonoperating revenue (expenses)	(846,289)	(4,185,127)	149,868	(4,881,548)	-
Income (loss) before contributions and transfers	(911,377)	8,937,818	199,853	8,226,294	103,600
Capital contributions	301,171	557,676	-	858,847	-
Change in net position	(610,206)	9,495,494	199,853	9,085,141	103,600
Total net position - beginning of year (as restated)	39,474,352	106,622,662	3,188,031	149,285,045	714,176
Total net position - ending	$ 38,864,146	$ 116,118,156	$ 3,387,884	$ 158,370,186	$ 817,776

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, 2014

	Enterprise Funds				
	Water Utility	Wastewater Utility	Other Enterprise	Total	Internal Service Fund
Cash flows from operating activities:					
Receipts from customers and users	$ 7,491,989	$ 30,231,100	$ 287,139	$ 38,010,228	$ 439,819
Payments to suppliers	(3,143,992)	(8,448,456)	(100,029)	(11,692,477)	(259,678)
Payments to employees	(3,011,147)	(5,027,238)	(113,793)	(8,152,178)	-
Net cash provided by operating activities	1,336,850	16,755,406	73,317	18,165,573	180,141
Cash flows from noncapital financing activities:					
Nonoperating revenue	-	13,308	63,682	76,990	-
Nonoperating expenses	(860,534)	(1,930,000)	(2,200)	(2,792,734)	-
Net cash provided (used) by noncapital financing activities	(860,534)	(1,916,692)	61,482	(2,715,744)	-
Cash flows from capital and related financing activities:					
Proceeds from capital debt	-	10,515,000	-	10,515,000	
Proceeds from loan receivable	-	-	2,540,000	2,540,000	-
Purchase of capital assets	(1,341,645)	(15,117,795)	(113,387)	(16,572,827)	-
Principal paid on capital debt	-	(6,445,000)	(80,000)	(6,525,000)	-
Bond issuance cost paid on capital debt	-	(245,969)	-	(245,969)	-
Interest paid on capital debt	-	(4,155,679)	(73,495)	(4,229,174)	-
Net cash provided (used) by capital and related financing activities	(1,341,645)	(15,449,443)	2,273,118	(14,517,970)	-
Cash flows from investing activities:					
Purchase of Investments	-	(33,157)	(2,637,884)	(2,671,041)	-
Interest received	14,245	74,095	153,252	241,592	-
Net cash provided (used) by investing activities	14,245	40,938	(2,484,632)	(2,429,449)	-
Net increase (decrease) in cash and cash equivalents	(851,084)	(569,791)	(76,715)	(1,497,590)	180,141
Cash and cash equivalents, January 1 (Including $134,882 and $5,697,074 for the customer deposit and revenue bond convenant accounts, respectively, reported in restricted accounts)	4,283,489	34,674,813	214,499	39,172,801	98,856
Cash and cash equivalents, December 31 (Including $137,884 and $5,692,827 for the customer deposit and revenue bond convenant accounts, respectively, reported in restricted accounts)	$ 3,432,405	$ 34,105,022	$ 137,784	$ 37,675,211	$ 278,997
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income	$ (65,088)	$ 13,122,945	$ 49,985	$ 13,107,842	$ 103,600
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	1,064,188	6,686,625	75,894	7,826,707	1,100
(Increase) decrease in assets:					
Accounts receivable	17,067	(279,327)	25	(262,235)	-
Inventories	(132,713)	(3,697)	-	(136,410)	(8,949)
Increase (decrease) in liabilities:					
Customer deposits	3,002	-	-	3,002	-
Accounts payable	121,082	(3,488,301)	(55,133)	(3,422,352)	(17,126)
Accrued wages payable	395	654	1,051	2,100	-
Interfund services provided and used	(2,749)	(6,601)	1,495	(7,855)	101,516
OPEB obligation	333,728	333,728	-	667,456	-
Other payable	(2,062)	389,380	-	387,318	-
Total adjustments	1,401,938	3,632,461	23,332	5,057,731	76,541
Net cash provided (used) by operating activities	$ 1,336,850	$ 16,755,406	$ 73,317	$ 18,165,573	$ 180,141
Noncash investing, capital and financing activities:					
Contributions of capital assets from private contractors	$ 301,171	$ 557,676	$ -	858,847	$ -

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

CITY OF LAFAYETTE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2014

Assets	Pension Trust Funds	Agency Funds
Cash and cash equivalents	$ 1,899,408	$ 932,213
Total assets	$ 1,899,408	$ 932,213
Liabilities		
Trust payable	$ -	$ 11,170
Accounts payable	5,384	921,043
Total liabilities	5,384	$ 932,213
Net position		
Net position held in trust for:		
Employees' pension benefits and other purposes	1,894,024	
Total net position	$ 1,894,024	

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

CITY OF LAFAYETTE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For The Year Ended December 31, 2014

Additions	Pension Trust Funds
Contributions:	
State Contributions	$ 3,929,005
Total additions	3,929,005
Deductions	
Benefits	3,986,962
Administrative expense	12,308
Total deductions	3,999,270
Changes in net position	(70,265)
Net position - beginning	1,964,289
Net position - ending	$ 1,894,024

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

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

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

Blended Component Units

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

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

Joint Venture

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

Related Organizations

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 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 are recorded only when payment is due.

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

The City reports the following major governmental funds:

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

The Motor Vehicle fund accounts for the resources of the Motor Vehicle Highway and Local Road and Street funds which are utilized for the repair and maintenance of the City's fleet, streets and related infrastructure.

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

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

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

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

The City reports the following major proprietary funds:

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

The Wastewater Utility fund accounts for the operation of the City's wastewater treatment plant, wastewater pumping stations, wastewater collection systems and storm water collection system.

Additionally, the City reports the following fund types:

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

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

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

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

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

Proprietary funds distinguish operating revenues from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

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

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

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

2. Interfund Transactions and Balances

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "internal receivables/payables" (i.e., the current and non-current portion of interfund loans). All other outstanding balances between funds are reported as "interfund services provided/used." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

3. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and in December. State statutes (IC 6-1.1-17-16) require the Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Department of Local Government Finance). Normally, taxes may be paid in two equal installments that become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the City prior to December 31, 2014. Delinquent property taxes outstanding at year end for governmental and/or proprietary funds, net of allowances for uncollectible accounts, are recorded as a receivable on the statement of net position and are recognized as taxes revenues on the statement of activities. The net amounts are recognized as receivables on the funds financial statements with an offset to unearned revenue, since these amounts are not considered available.

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statement of Net Position because their use is limited by applicable bond covenants.

The financial statements report $10,167,752 of restricted net position, of which $1,713,160 is restricted by enabling legislation.

6. Capital Assets

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

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

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

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

N/A = Not Applicable

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the City in its business-type activities during the current year was $3,234,870. Of the amount, none was included as part of the cost of capital assets under construction.

7. Compensated Absences

   a. Sick Leave – City employees earn sick leave at the rate of 1 day per month and accumulates to a maximum of 36 days. Accumulated sick leave is not paid to employees upon termination.

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

   c. Personal Leave – City employees earn personal leave at the rate of 2 days per year and 1 day each year for their birthday. Personal leave does not accumulate from year to year.

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

8. Long-Term Obligations

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

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

9. Fund Equity

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

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

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

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

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

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

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

10. Stabilization Arrangement

In 2005 the City created, under I.C. 36-1-8-5 a Rainy Day fund. The fund was to provide an operational safety net should circumstances arise that would leave the City without funds. These circumstances are not expected to occur routinely. Indiana code allows for transfers, whenever the purposes of a tax levy have been fulfilled, of unused and unencumbered funds, to the Rainy Day fund. The Government Finance Officers Association recommends that a Rainy Day fund have a balance of up to 15 percent, or 8 weeks of operational cash of the fund it is to supplement. The City, through an internal policy, has set a goal of 10 percent or just under 6 weeks of operational cash to act as a backup for the General fund. The current balance of $2,804,302 is at 8 percent. Until the 10 percent target is reached, the fund will not be used. In the event it is to be used, it must go through the Common Council with proper appropriation and methodology spelled out by the Indiana Code.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

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

B. Expenditures in Excess of Appropriations

For the year ended December 31, 2014, there were two funds that expenditures exceeded budgeted appropriations:

Fund	Amount
Police Continuing Education	$ 38,610
Local Roads & Streets	45,666
Total	$ 84,276

These expenditures were funded through existing cash reserves.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers public funds held in approved depositories.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of December 31, 2014, the City had the following investments:

Investment Deposit	$ 8,032,000
Realized gains/losses	-
Unrealized gains/(losses) relating to instruments still held at the reporting date	232,519
Balance, end of year market value:	$ 8,264,519

	Business-type Activities	Investment Maturities(in Years)	
Investment Type	Fair Value	Less Than 1	1-5
U.S. government agency securities	$ 8,024,389	$ 1,092,417	$ 6,931,972
Money Markets	240,130	240,130	-

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 five 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 percent of the funds held by the City and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise; or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

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

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy for custodial credit risk for investments. At December 31, 2014, the City held investments in U.S. government agency securities in the amount of $8,264,519. These investments were held by the counterparty's trust department or agent but not in the City's name.

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

Foreign Currency Risk

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

B. Capital Assets

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

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Governmental activity:				
Capital assets, not being depreciated:				
Land	$ 25,013,891	$ -	$ -	$ 25,013,891
Construction in progress	17,453,880	13,072,834	11,307,192	19,219,522
Total capital assets, not being depreciated	42,467,771	13,072,834	11,307,192	44,233,413
Capital assets, being depreciated:				
Buildings	33,584,913	9,595	-	33,594,508
Improvements other than buildings	7,591,761	-	-	7,591,761
Machinery and equipment	6,085,363	391,374	462,017	6,014,720
Vehicles	12,864,466	3,138,934	349,419	15,653,981
Infrastructure	193,392,194	7,240,870	-	200,633,064
Totals	253,518,697	10,780,773	811,436	263,488,034
Less accumulated depreciation for:				
Buildings	(10,570,439)	(745,844)	-	(11,316,283)
Improvements other than buildings	(3,630,691)	(366,462)	-	(3,997,153)
Machinery and equipment	(5,330,380)	(276,762)	(462,016)	(5,145,126)
Vehicles	(10,926,497)	(794,088)	(305,863)	(11,414,722)
Infrastructure	(60,277,889)	(3,084,554)	-	(63,362,443)
Totals	(90,735,896)	(5,267,710)	(767,879)	(95,235,727)
Total capital assets, being depreciated, net	162,782,801	5,513,063	43,557	168,252,307
Total governmental activity capital assets, net	$ 205,250,572	$ 18,585,897	$ 11,350,749	$ 212,485,720
Business-type activity:				
Capital assets, not being depreciated:				
Land	$ 2,373,961	$ 155,028	$ -	$ 2,528,989
Construction in progress	24,983,492	15,962,982	3,180,026	37,766,448
Total capital assets, not being depreciated	27,357,453	16,118,010	3,180,026	40,295,437
Capital assets, being depreciated:				
Buildings	18,456,919	-	-	18,456,919
Improvements other than buildings	485,247	-	-	485,247
Machinery and equipment	74,937,325	997,514	10,751	75,924,088
Vehicles	3,680,953	111,896	47,520	3,745,329
Infrastructure	166,771,450	3,533,965	-	170,305,415
Totals	264,331,894	4,643,375	58,271	268,916,998
Less accumulated depreciation for:				
Buildings	(4,288,091)	(399,696)	-	(4,687,787)
Improvements other than buildings	(89,778)	(37,545)	-	(127,323)
Machinery and equipment	(33,884,290)	(3,814,100)	(10,751)	(37,687,639)
Vehicles	(1,965,926)	(371,744)	(47,520)	(2,290,150)
Infrastructure	(27,437,631)	(3,203,621)	-	(30,641,252)
Totals	(67,665,716)	(7,826,706)	(58,271)	(75,434,151)
Total capital assets, being depreciated, net	196,666,178	(3,183,331)	-	193,482,847
Total business-type activity capital assets, net	$ 224,023,631	$ 12,934,679	$ 3,180,026	$ 233,778,284

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

Governmental activities:	
General government	$ 375,196
Public safety	811,229
Public works, including depreciation of general infrastructure assets	3,139,542
Health and sanitation	102,026
Culture and recreation	818,201
Community development	20,418
Internal service funds	1,100
Total depreciation expense - governmental activities	$ 5,267,712
Business-type activities:	
Water	$ 1,064,188
Wastewater	6,686,625
Other	75,894
Total depreciation expense - business-type activities	$ 7,826,707
Grand Total	$ 13,094,419

D. Construction Commitments

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

Project	Total Project Authorized	Expended to December 31, 2014	Committed	Require Future Funding
Governmental Activities:				
Police Annex-Armory	$ 400,911	$ 400,911	$ -	
Myer's Pedestrian Bridge Rehab	1,000,000	769,925	230,075	x
Union Street Drainage	733,557	733,557	-	
Fire Grant 37K Fairfield Twsp	37,000	33,378	3,622	x
Lodal Restore	17,378	17,378		
Concord Road Reconstruction	6,600,000	1,312,217	5,287,783	x
Maple Point Extension	3,500,000	2,195,747	1,304,253	x
Creasy Lane/SR 26 Land Acquistion	50,369	2,021	48,348	x
Old Romney Road	4,550,000	3,082,689	1,467,311	x
S18th Street Widening	1,460,000	439,287	1,020,713	x
Sagamore Parkway Reconstruction	20,000,000	4,089,971	15,910,029	x
South Street Reconstruction	1,000,000	538,469	461,531	x
South Tipp Park	220,000	219,457	543	x
Zoo Education Building	31,649	31,649	-	
Loeb Stadium Renovation	260,000	253,708	6,292	
Columbian Park Entrance-Pedestrian Crossing	115,000	71,405	43,595	x
Annexation	26,424	26,424	-	
Trail Development	250,000	232,468	17,532	x
Upper Berlowitz Master Plan	109,100	102,886	6,214	x
Tandem Dump Trucks	29,893	209,893	(180,000)	
General Electric-Road	1,500,000	592,674	907,326	
Durkee's Run CSO	3,650,700	3,650,700	-	
Sidewalks N26th Cason to Union	99,950	72,507	27,443	
Citywide Trail Master Plan	150,000	42,949	107,051	x
Sidewalk SR38 From Kingsway to Creasy	300,000	97,253	202,747	x
Totals Governmental Funds	$ 46,091,931	$ 19,219,522	$ 26,872,409	

Project	Total Project Authorized	Expended to December 31, 2014	Committed	Require Future Funding
Enterprise Funds:				
Valley Street Drainage	$ 4,000,000	$ 270,862	$ 3,729,138	x
Union Street Drainage	730,000	636,215	93,785	x
Prange Drive	135,000	134,214		
Sagamore Parkway Reconstruction	50,360	50,360	-	
Rome Drive Land	40,000	1,928	38,072	x
Utility Service Area 21	8,500,000	567,374	7,932,626	x
Solar Power WWTP	4,000,000	118,149	3,881,851	x
Durkee's Run CSO	29,000,000	28,704,183	295,817	x
Stormwater Equip Storage Building	970,200	921,367	48,833	x
Primary Tank Rebuild	200,000	104,692	95,308	
Co-Generation	100,000	20,870	79,130	
Phosphrous	2,000,000	347,685	1,652,315	
Elmwood & 27th Street	2,757,500	2,137,824	619,677	
North 9th Wetland Mitigation	37,950	26,400	11,550	x
Tyler Technologies	500,000	456,846	43,154	
New Wellfield Investigation	800,000	768,408	31,592	x
Glick Wellfield Generator	16,856	16,856	-	x
Onsite Chloine Generation-Glick	355,000	163,804	191,196	x
SCADA-Water Works	370,000	365,345	4,655	x
Meter Change Out	1,900,000	1,873,804	26,196	x
Cathodic Protection Glick Wells	37,000	34,912	2,088	x
Glick Well Repairs	44,348	44,348	-	
Total Enterprise Funds	56,544,213	37,766,446	18,776,981	
Grand Total for CWIP	$ 96,913,163	$ 56,867,866	$ 44,840,279	

E. Interfund Balances and Activities

1. Interfund Services Provided/Used

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

	Interfund Services Provided						
Interfund Services Used	General	Motor Vehicle	Non-Major Government	Water	Wastewater	Internal Service	Total
Governmental:							
General	$ -	$ -	$ -	$ -	$ -	$ 199,906	$ 199,906
Motor vehicle	-	-	-	-	-	82,559	82,559
EDIT	-	-	-	-	-	474	474
Non-major governmental	-	-	-	-	-	17,852	17,852
Proprietary:							
Water	-	-	-	-	-	31,481	31,481
Wastewater	-	-	-	-	-	37,737	37,737
Other Enterprise	-	-	-	-	-	1,831	-
Internal Service	375	15	-	-	-	-	390
							-
Total	$ 375	$ 15	$ -	$ -	$ -	$ 371,840	$ 372,230

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

2. Interfund Transfers

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

F. Leases

1. Operating Leases

The City has no operating leases at year end.

2. Capital Leases

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

	Government Activities
2015	$ 174,575
Less amount representing interest	4,969
Present value of net minimum lease payments	$ 169,606

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

	Governmental Activities
Vehicles	$ 561,570
Accumulated depreciation	(507,168)
Total	$ 54,402

G. Short-Term Liabilities

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

H. Long-Term Liabilities

1. General Obligation Bonds

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

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

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

Purpose	Interest Rates	Balance at December 31	Unamortized Premium (Discount)	Amount
Park District Refunding Bonds of 2012	.96% to 2.0%	$ 4,075,000	$ 1,515	$ 4,076,515

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

	Governmental Activities	
	Principal	Interest
2015	$ 885,000	$ 45,876
2016	895,000	37,380
2017	910,000	26,374
2018	920,000	15,248
2019	465,000	4,312
Totals	$ 4,075,000	$ 129,190

2. Revenue Bonds – Business-Type Activities

The City issues bonds where the City pledges income derived from the acquired or constructed assets net of specified operating expenditures to pay debt service. Proceeds from the 2006 bond provided financing for a new pumping station and a new elimination sewer. Proceeds from the 2008 bond provided financing for the construction and installation of energy conservation measures to the City's municipal sewage works. Proceeds from the 2013 and 2014 bonds provided financing for the acquisition, construction and installation of certain additions, extensions and improvements of the City's municipal sewage works.

Revenue bonds outstanding at year end are as follows:

Purpose	Interest Rates	Balance at December 31	Unamortized Premium (Discount)	Amount
Water pollution control refunding revenue bonds of 2006	3.5% to 4.5%	23,895,000	(667,914)	23,227,086
Water pollution control revenue bonds of 2008	3.5% to 4%	3,460,000	(48,042)	3,411,958
Water pollution control revenue bonds of 2013	3.0% to 3.25%	21,575,000	480,871	22,055,871
Water pollution control refunding revenue bonds of 2013	3.0% to 3.25%	51,575,000	6,311,736	57,886,736
Water pollution control revenue bonds of 2014	2.0% to 3.75%	10,305,000	142,559	10,447,559
Total		$ 110,810,000	$ 6,219,210	$ 117,029,210

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

	Business-Type Activities	
	Principal	Interest
2015	$ 6,125,000	$ 3,601,989
2016	6,950,000	3,909,037
2017	7,190,000	3,681,784
2018	7,430,000	3,427,416
2019	7,705,000	3,141,843
2020-2024	40,980,000	10,667,038
2025-2029	24,705,000	2,927,939
2030-2034	9,380,000	902,999
2035	345,000	6,469
Totals	$ 110,810,000	$ 32,266,514

3. Revenue Bonds – Government Activities

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

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

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

The City has pledged a portion of Twyckenham Economic Development Area revenues to repay the 2010C Economic Development lease rental refunding. Additionally the City has pledged a portion of the Twychenham Economic Development revenues to repay the $5,185,000 2014 Redevelopment District Bond issue.

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

The City has pledged a portion of the Consolidated Creasy/Central Tax Increment revenue for the repayment of the Redevelopment Authority lease rental refunding bond of 2010A and the $16,160,000 2014 Redevelopment Authority lease rental bonds.

The revenue bonds are direct obligations and pledge the full faith and credit of the City.

Revenue bonds currently outstanding at year end are as follows:

Purpose	Interest Rates	Balance at December 31	Less: Unamortized Premium (Discount)	Amount
Economic Development lease rental refunding bonds series 2010 A	1.0% to 2.75%	$ 420,000	$ (3,489)	$ 416,511
Economic Development lease rental refunding bonds series 2010 B	2.0% to 4.0%	2,040,000	(4,073)	2,035,927
Economic Development lease rental refunding bonds series 2010 C	2.0% to 3.2%	5,860,000	(39,939)	5,820,061
Redevelopment Authority lease revenue refunding bond series 2010 A	2.0% to 3.5%	1,685,000	(10,811)	1,674,189
Redevelopment Authority lease revenue refunding bond series 2010 B	2.0% to 3.25%	2,575,000	31,053	2,606,053
Redevelopment Authority lease revenue refunding bond series 2010 C	2.0% to 4.0%	4,275,000	64,277	4,339,277
Redevelopment Authority lease revenue refunding bond series 2013 A	1.75%	5,135,000	34,136	5,169,136
Redevelopment Authority lease revenue refunding bond series 2013 B	2.0%	5,415,000	(49,126)	5,365,874
Redevelopment District refunding bonds of 2012	1.64%	2,865,000	-	2,865,000
Economic Development revenue bond series 2013 (LUEA)	2.0% to 3.0%	1,000,000	-	1,000,000
Redevelopment Authority Lease Rental Bonds of 2014	3.0% to 3.75%	16,160,000	63,220	16,223,220
Redevelopment District Bonds, Series 2014	3.0% to 4.0%	5,185,000	76,973	5,261,973
Total		$ 52,615,000	$ 162,221	$ 52,777,221

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

	Governmental Activities	
	Principal	Interest
2015	$ 6,230,000	$ 1,191,981
2016	6,160,000	1,343,194
2017	5,155,000	1,187,266
2018	3,320,000	1,066,430
2019	3,185,000	974,041
2020-2024	9,100,000	3,842,053
2025-2029	6,185,000	2,870,792
2030-2034	6,315,000	1,898,204
2035-2039	6,965,000	730,413
Totals	$ 52,615,000	$ 15,104,374

4. Loans Payable

The Wastewater Utility has entered into a loan from the State Revolving Loan Fund. At year end the 2009 loan balance was $1,257,000.

The City received a "Section 108" loan from HUD in the amount of $3,300,000. The proceeds were deposited with a trustee for subsequent loan to a private developer for the Lahr Project. The developer has since sold the property and paid the City an amount equal to the remaining principal with some interest as well. These funds are currently invested in laddered Treasury investments with maturities that coincide with the payments of interest and principal so as to make timely payments. The current principal balance of the loan at year end is $2,500,000.

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

	Business-Type Activities	
	Principal	Interest
2015	$ 147,000	$ 211,283
2016	819,000	203,504
2017	871,000	151,414
2018	924,000	95,393
2019	71,000	35,422
2020-2024	397,000	136,095
2025-2029	476,000	58,063
2030	52,000	941
Totals	$ 3,757,000	$ 892,115

5. Notes Payable

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

	Governmental Activities	
	Principal	Interest
2015	$ 386,139	$ 17,193
2016	309,734	10,407
2017	157,119	4,019
Totals	$ 852,992	$ 31,619

6. Advance Refunding

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

Primary government:	Amount
1994 Redevelopment Authority lease rental -$9,365,000	$ 4,480,000
1994 Redevelopment Authority lease rental -$15,000,000	7,785,000
1994 B Redevelopment Authority lease rental -$5,665,000	2,665,000
1995 A Redevelopment Authority lease rental -$3,360,000	2,370,000
1995 Redevelopment Authority lease rental -$2,300,000	960,000
1996 Redevelopment District Parking Facility Revenue Bonds - $2,600,000	1,197,003
1997 Redevelopment Authority lease rental refunding -$3,925,000	620,000
1998 Redevelopment Authority lease rental refunding -$4,485,000	2,970,000
1998 Park District Bonds - $5,500,000	2,500,000
1999 Redevelopment Authority lease rental refunding -$7,980,000	5,235,000
2001 A Redevelopment Authority lease rental refunding -$3,500,000	2,200,000
2001 B Redevelopment Authority lease rental refunding -$5,000,000	3,140,000
2001 Park District Bonds - $1,750,000	1,465,000
2002 Redevelopment Authority lease rental refunding -$8,500,000	5,880,000
2002 Sewage Works revenue bonds - $30,000,000	23,935,000
2004 Park District Bonds - $1,730,000	1,610,000
2004 A Tax Increment Revenue Bonds - $2,145,000	1,750,000
2004 B Tax Increment Revenue Bonds - $735,000	695,000
2004 Redevelopment Authority Lease Rental Revenue Bond - $4,380,000	4,260,000
2006 Sewage Works Revenue Bond - $22,445,000	22,421,435

7. Defeased Debt

In 2014 there were no refunding issues performed by the City and as a result no defeased debt.

8. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2014, was as follows:

Primary government	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	$ 4,955,000	$ -	$ 880,000	$ 4,075,000	$ 885,000
Bond discount	(1,818)	-	(303)	(1,515)	-
Total general obligation bonds payable	4,956,818	-	880,303	4,076,515	885,000
Revenue bonds	37,140,000	21,345,000	5,870,000	52,615,000	6,230,000
Bond discount	(42,177)	140,193	(20,149)	(162,221)	-
Total revenue bonds payable	37,182,177	21,204,807	5,890,149	52,777,221	6,230,000
Notes payable	1,038,283	497,294	682,585	852,992	386,138
Capital leases	512,175	-	342,569	169,606	169,606
Other postemployee benefit obligations	500,381	333,728	-	834,109	-
Net pension obligations	22,010,165	-	733,676	21,276,489	-
Total governmental activities long-term liabilities	$ 66,199,999	$ 22,035,829	$ 8,529,282	$ 79,986,932	$ 7,670,744
Business-type activities:					
Revenue bonds payable:					
Wastewater Utility	$ 106,680,000	$ 10,515,000	$ 6,385,000	$ 110,810,000	$ 6,125,000
Bond premium	6,562,850	142,560	486,198	6,219,212	-
Total revenue bonds payable	113,242,850	10,657,560	6,871,198	117,029,212	6,125,000
Loans payable	3,897,000	-	140,000	3,757,000	147,000
Other postemployee benefit obligations	1,000,762	797,229	129,772	1,668,219	-
Total business-type activities long-term liabilities	$ 118,140,612	$ 11,454,789	$ 7,140,970	$ 122,454,431	$ 6,272,000

9. Contingent Receivable – Forgivable Loans

The City has contingent receivables resulting from rehabilitation and improvement loans made through various Community Development Block Grant and Home Investment Partnership Programs. The loans become receivable only if recipients do not meet occupancy or other requirements. Loans balances are systematically "forgiven" (reduced without cash payment) each year the recipient meets the requirements. The receivable is contingent upon the recipient not meeting the requirements and the amount of the receivable is not known until that time. The following schedule shows the changes in this contingent receivable for 2014:

Beginning balance, January 1	$ 5,800,904
New loans	538,285
Amounts forgiven	(561,861)
Principle amount paid on loans	(62,500)
Ending balance, December 31	$ 5,714,828

10. Restricted Assets

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

   Donor Designated Use

   A special donation designated for a specific project that will be constructed in 2015.

   Intergovernmental Cash Account

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

   Debt Service Reserve

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

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

   Customer Deposits

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

   Debt Service Reserve

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

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

	Governmental Funds				
Asset Type/Account	Parks and Recreation	TIF Alloc McCarty	Redevelopment Authority	TIF Alloc Twyckenham	Total
Donor designated use	$ 12,553	$ -	$ -	$ -	$ 12,553
Intergovernmental cash account	-	2,568,592	-	-	2,568,592
Debt service reserve	-	-	1,253,119	447,488	1,700,607
Total restricted assets	$ 12,553	$ 2,568,592	$ 1,253,119	$ 447,488	$ 4,281,752

	Enterprise Funds			
	Water Utility	Wastewater Utility	Community Dev Blk Grant	Total
Customer deposits	$ 137,884	$ -	$ -	$ 137,884
Debt service reserve	-	5,640,638	2,676,070	8,316,708
Total restricted assets	$ 137,884	$ 5,640,638	$ 2,676,070	$ 8,454,592

IV. Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; dental and vision medical benefits to employees; unemployment compensation benefits; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past 3 years. There were no significant reductions in insurance by major category of risk.

Medical Benefits to Employees, Retirees and Dependents

During 2009, the City joined with other governmental entities to form the Indiana Association of Cities and Towns (IACT) Medical Trust, a public entity risk pool currently operating as a common risk management and insurance program for 33 member governmental entities. The purpose of the risk pool is to provide a medium for the funding and administration of medical benefits to employees, retirees and dependents. The Medical Trust is owned by participating members, governed by a Board of Trustees and regulated by the Indiana Department of Insurance. The City pays an annual premium to the Medical Trust for its medical benefits to employees, retirees and dependents. Benefit plans of the Medical Trust are offered through United Healthcare which includes traditional PPO plans and high-deductible HSA plans. There is no dollar limit to the amount either plan will pay for essential benefits during the entire period employees, retirees and dependents are enrolled in their plan.

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:

	2013	2014
Unpaid claims, beginning of fiscal year	$ -	$ -
Incurred claims and changes in estimates	427,406	326,516
Claim payments	(427,406)	(326,516)
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:

	2013	2014
Unpaid claims, beginning of fiscal year	$ -	$ -
Incurred claims and changes in estimates	40,546	6,087
Claim payments	(40,546)	(6,087)
Unpaid claims, end of fiscal year	$ -	$ -

B. Related Party Transactions

During the period in which financial statements are presented, the City had material transactions with Gary Henriott, Board of Works member, in relation to Insurance coverage in the amount of $ 733,270. No amount was due as of the balance sheet date.

C. Subsequent Events-

Information Technology:

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

Parking Operations:

In January of 2014 the City took over the operation of the Parking Garage and the enforcement of City parking regulations. The City has purchased a state of the art LPR software system with a camera car and handheld computer units to automate the enforcement of parking regulations. Operations began and limited their scope to the downtown area. As a result of those operations is additional patrol areas have been added. The City will also be implementing further improvements in 2015 to update the technology in the garage itself.

Utility Projects:

The Durkee's Run CSO project which eliminates 1,000 acres of combined sewer overflow areas mandated by IDEM continues toward its completion date of 2015. The project is financed by a revenue bond of $33,000,000 and is divided into 3 phases. Phase I and II cost approximately $22,500,000. Phase III will be an estimated $10,500,000 and is looking to start this summer. Bowen Engineering has been awarded the Design Build contract under an Indiana Guaranteed Savings Contract covered by Indiana Code 36-1-12. This type of contract has many advantages including: the City has more control over the project, a guaranteed maximum price with no change orders, shifts the risk to the design build team, allows for open book pricing and savings must be greater than the cost over 20 years. Additionally the savings must be documented by the Indiana Department of Energy per the Indiana Code. The project is moving along on schedule as Phase I and Phase II have reached completion and Phase III is approximately 40 percent complete.

Road Projects:

In 2012 Sagamore Parkway, the U.S. 52 bypass, and Indiana 26 from I-65 to the Wabash River became part of the street system of the City. The City received $21,000,000 from INDOT to repave Sagamore Parkway and upgrade the signal system on Highway 26. The signal project has been completed. The engineering is finished on Phase I of paving project and construction has begun and is approximately 6 percent complete. Engineering is well underway on Phase II and land acquisition is 90 percent complete. Engineering will begin on Phase III as soon as Phase II engineering is complete.

Economic Development:

In March 2014, General Electric announced the City would be the location for a new jet engine assembly plant with an investment of $100,000,000 in plant and equipment. Plans call for the plant to begin operations in October 2015 and GE has already expanded the plant to incorporate an engine repair depot. In 2013 bonds were issued in the amount of $1,500,000 to build a co-working space for entrepreneurial ventures in the downtown area. In 2015 a developer has announced plans for a luxury 4 story apartment and commercial property complex. The complex will house a bank as well as other commercial endeavors. It is a gateway to West Lafayette and will tie in with West Lafayette's redevelopment efforts with their City as well. This project will be financed in part with a $4,400,000 TIF bond to be repaid with the assessed valuation increment increase the development will bring to the TIF area.

D. Section 108 Loan

The City received a "Section 108" loan from HUD in the amount of $3,300,000. The proceeds were deposited with a Trustee for subsequent loan to a private developer for the Lahr Project. The developer is responsible for the Loan Repayment. The City has a liability connected with the loan in the event of default by the developer. The City pledged as security for the loan future Community Development Block Grant and Program Income Funds in the event the developer would default. The liability is contingent upon the default of the developer and the amount would be the outstanding principal and interest at the time of the default. The developer made timely payments and the principal balance of the loan at year end was $2,485,833.30. In 2014 the owner sold the property and deposited with the City $2,658,179.69 to enable the City pay the loan in full. That amount is invested in laddered Treasury Notes with the Trustee and will be used to pay the loan to HUD.

E. Conduit Debt Obligation

The primary government has issued the Indiana Variable Rate Demand Economic Development Revenue Bonds of 2003 to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The City, the State, or any political subdivision is not obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

At the end of the year, the sole series of bonds outstanding had an aggregate principal amount payable of $826,053.

F. City/County Interlocal Agreement

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

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

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

Under the terms of the agreement, the County has established a Southeast Industrial TIF Fund to account for the funds used to pay for the public improvements which will be constructed and administered by the City. The payments for these projects are initiated by the City then reviewed, approved and paid by the County. At December 31, 2014, the Southeast Industrial TIF Fund had $1,573,449 held for these capital projects.

The City has established a TIF County's South East Fund to account for the McCarty TIF District funds used to pay for the public improvements which will be constructed and administered by the County. The payments for these projects are initiated by the County then reviewed, approved and paid by the City. At December 31, 2014, the TIF County's South East Fund had $2,568,592 held for these capital projects.

G. Other Postemployment Benefits

Single-Employer Defined Benefit Healthcare Plan

Plan Description

In addition to the pension benefits described below, effective January 1, 2004, the City provides a portion of postemployment health insurance benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the primary government. The City is a member of the Indiana Association of Cities and Towns Medical Trust whose health plans are operated under a self-insured arrangement. The total of said benefits shall be $4,800, credited at a rate of $100 per month for the retiree to continue coverage under the City health insurance plan. This benefit will terminate at the $4,800 individual limit, or immediately upon the employee or spouse/dependent becoming covered by another group plan with no preexisting health clause, or if the employee or spouse/dependent becomes eligible for Medicare.

Funding Policy

Currently, thirty employees meet the above mentioned eligibility requirements. The primary government provides 100 percent of these postemployment benefits. Expenditures for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended December 31, 2014, expenditures of $800 for policemen, $2,900 for firemen, and $1,200 for street workers were recognized for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

The City employed an actuarial firm to complete the GASB 45 required calculations and these calculations determined an Annual Required Contribution (ARC) in accordance with the parameters of the GASB statement. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table, broken out by Governmental and Business type, shows the components of the City's annual OPEB cost for the year, the amount contributed to the plan and the net obligation at the end of the year. According to GASB 45 regarding OPEB:

	Governmental	Business-type	Total
Annual required contribution	$ 393,131	$ 798,176	$ 1,191,307
Interest to end of year	22,292	45,259	67,551
Adjustment to annual required contribution	(17,777)	(46,206)	(63,983)
Annual OPEB cost	397,646	797,229	1,194,875
Estimated annual employer contribution for pay-go cost	(63,918)	(129,772)	(193,690)
Increase (decrease) in OPEB costs	333,728	667,457	1,001,185
Net OPEB obligation, beginning of year	500,381	1,000,762	1,501,143
Net OPEB obligation, end of year	$ 834,109	$ 1,668,219	$ 2,502,328

In a similar fashion the City's annual OPEB cost, the percentage of the annual OPEB cost contributed by the City and the net OPEB obligation for 2014 is shown in the following table:

	Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Other Postemployee Benefits (OPEB):				
	12-31-2012	836,388	19.2%	675,884
	12-31-2013	1,001,814	17.6%	1,501,144
	12-31-2014	1,194,875	16.2%	2,502,328

Funding Status and Funding Progress

As of December 31, 2014, the most recent actuarial valuation date, the plan was unfunded. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. This includes assumptions about future employment, mortality and the healthcare cost trend. These assumptions are subject to continual revision as actual results are compared with past expectations and new estimates are determined.

Actuarial Methods and Assumptions

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

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

H. Pension Plans

1. Cost Sharing Multiple-Employer Defined Benefit Pension Plans

a. Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan administered by Indiana Public Retirement System (INPRS). As part of the implementation of GASB Statement No. 67, PERF changed from an agent to a cost sharing, multiple-employer defined plan effective July 1, 2013 based on 35 IAC 21-1-1, 35 IAC 21-1-2, and amended IC 5-10.2-2-11 (b). PERF is a cost sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries.

All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) board, most requirements of the system and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report is available online at http://www.inprs.in.gov or may be obtained by contacting:

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

PERF members are required to contribute 3 percent of their annual covered salary. The City is required to contribute at an actuarially determined rate; the current rate is 11.2 percent of annual covered payroll. The contribution requirements of the plan members and the City are established and may be amended by the Board of Trustees, of INPRS. The City's contributions to the plan for the years ending December 31, 2014, 2013, and 2012 were $2,187,275, $1,247,947, and $960,581 respectively, which were equal to the required contributions for each year.

b. 1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

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

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

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

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

Funding Policy

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

2. Single-Employer Defined Benefit Pension Plans

a. 1925 Police Officers' Pension Plan

Plan Description

The City 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 (Indiana Code 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. The pension plan is closed to new entrants. The pension plan has not elected early implementation of GASB 68 and therefore the net pension obligation will be reported in the statement of net position and not the net pension liability.

Plan Membership

Plan membership at December 31, 2014, consisted of the following:

	1925 Police Officers' Pension
Retired Members, beneficiaries and disabled members receiving benefits:	50
Terminated employees entitled to but not yet receiving benefits:	-
Active Plan Members:	-
Total Membership	50

Contributions

Plan members are required by state statute (IC 36-8-6-4) to contribute an amount equal to six percent (6%) of the salary of a First Class Patrolman until they have completed thirty-two years of service.

Actuarial valuations are performed annually for the 1925 Police Officers' Pension Plan. The assumptions used in the valuation are selected and approved by the Indiana Public Retirement System (INPRS) Board of Trustees. Benefits to members of the plan are funded on a pay-as-you-go basis by certain revenues and appropriations of the State of Indiana to the Pension Relief Fund. The Pension Relief Fund has been created within the INPRS and is administered by INPRS and is used as a temporary holding account for collecting State revenues and appropriations before funds are distributed to employers. Amounts required to pay benefits are distributed from the fund to the City.

Investments

The pension plan's investment policy is consistent with the overall policy of the City as described in Note I. D. 1. – Deposits and Investments. The plan held no investments during the audit period.

Net Pension Liability

The components of the Net Pension Liability for the1925 Police Officers' Pension Plan as of December 31, 2014, are as follows:

- Total Pension Liability	$ 22,049,109
- Plan Fiduciary Net Position	(885,875)
- Net Pension Liability	$ 21,163,234

- Plan Fiduciary Net Position as a percentage of Total Pension Liability 4.02%

Actuarial Assumptions

Significant actuarial assumptions selected and approved by the INPRS Board of Trustees and other inputs used to measure the total pension liability:

Measurement Date December 31, 2014

Valuation Date
Assets: Not applicable. Benefits are paid on a pay-as-you-go basis.

Liabilities: December 31, 2014

Inflation 2.25%

Future Salary Increases 2.50%

Cost of Living Increases Non-Converted 2.50% per year in retirement
Converted 2.00% per year in retirement

Mortality Assumption RP-2014 Total Data Set Mortality Tables with mortality improvement since 2006 using scale MP-2014 removed and projected on a fully generational basis using the future mortality improvement scale inherent in the mortality projection included in the Social Security Administration's 2014 Trustee Report.

Experience Study The actuarial assumptions used in the December 31, 2014 valuation were selected and approved by the INPRS Board of Trustees and are consistent with the results of an experience study completed in April 2015, which reflects the experience period beginning July 1, 2010 and ending June 30, 2014. Several actuarial assumptions were updated for the current valuation as a result of the experience study. The interest rate continues to equal the Barclay's 20-year Municipal Bond Index rate as of the measurement date.

Discount Rate There are no accumulated assets in the Plan. Therefore, the discount rate is set equal to the Barclay's 20-year Municipal Bond Index rate of 2.56% as of December 31, 2014.

Discount Rate Sensitivity The following represents the net pension liability of the City, calculated using the discount rate of 2.56%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.56 percent) or 1-percentage point higher (3.56 percent) than the current rate.

	1% Decrease (1.56%)	Current Rate (2.56%)	1% Increase (3.56%)
Net Pension Liability	$ 23,600,370	$ 21,163,234	$ 19,104,078

Pension Cost

The pension plan does not issue a separate financial report.

Annual Pension Cost and Net Pension Obligation

The City's annual pension cost, net pension obligation and related information as provided by the actuary is presented in this note.

Annual Pension Cost and Net Pension Obligation

Annual required contribution	$ 2,385,800
Interest on net pension obligation	389,677
Adjustment to annual required Contribution	(803,705)
Annual pension cost	1,971,772
Contributions made	2,472,934
Increase (decrease) in net pension obligation	(501,162)
Net pension obligation (asset), beginning of year 12/31/2013	15,221,753
Net pension obligation, end of year 12/31/2014	$ 14,720,591

Annual Pension Cost

For the year ended December 31, 2014, the City's annual pension cost of $1,223,557 for the plan was less than the City's actual contribution of $1,456,071. The pension cost for the three most recent years is as follows:

	Fiscal Year Ended December 31		
	2014	2013	2012
Annual Pension Cost (APC)	$1,223,557	$1,306,789	$1,328,970
Percentage of APC contributed	119.0 %	107.6 %	109.1 %
Net pension obligation	$6,555,898	$6,788,412	$6,887,926

The use of the pay-as-you-go actuarial cost method by the primary government results in significant underfunding of the plan.

b. 1937 Firefighters' Pension Plan

Plan Description

The City 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 (Indiana Code 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. The pension plan is closed to new entrants. The pension plan has not elected early implementation of GASB 68 and therefore the net pension obligation will be reported in the statement of net position and not the net pension liability.

Plan Membership

Plan membership at December 31, 2014, was comprised of the following:

	1937 Firefighters' Pension
Retired Members, beneficiaries and disabled members receiving benefits:	83
Terminated employees entitled to but not yet receiving benefits:	-
Active Plan Members:	-
Total Membership	83

Contributions

Plan members are required by state statute (IC 36-8-7-8) to contribute an amount equal to six percent (6%) of the salary of a First Class Firefighter until they have completed thirty-two years of service.

Actuarial valuations are performed annually for the 1937 Firefighters' Pension Plan. The assumptions used in the valuation are selected and approved by the Indiana Public Retirement System (INPRS) Board of Trustees. Benefits to members of the plan are funded on a pay-as-you-go basis by certain revenues and appropriations of the State of Indiana to the Pension Relief Fund. The Pension Relief Fund has been created within the INPRS and is administered by INPRS and is used as a temporary holding account for collecting State revenues and appropriations before funds are distributed to employers. Amounts required to pay benefits are distributed from the fund to the City.

Investments

The pension plan's investment policy is consistent with the overall policy of the City as described in Note I. D. 1. – Deposits and Investments. The plan held no investments during the audit period.

Net Pension Liability

The components of the Net Pension Liability for the1937 Firefighters' Pension Plan as of December 31, 2014, are as follows:

- Total Pension Liability	$	37,325,772
- Plan Fiduciary Net Position		(1,013,533)
- Net Pension Liability	$	36,312,239
- Plan Fiduciary Net Position as a percentage of Total Pension Liability		2.71%

Actuarial Assumptions

Significant actuarial assumptions selected and approved by the INPRS Board of Trustees and other inputs used to measure the total pension liability:

Measurement Date	December 31, 2014	
Valuation Date		
Assets:	Not applicable. Benefits are paid on a pay-as-you-go basis.	
Liabilities:	December 31, 2014	
Inflation	2.25%	
Future Salary Increases	2.50%	
Cost of Living Increases	Non-Converted	2.50% per year in retirement
	Converted	2.00% per year in retirement

Mortality Assumption: RP-2014 Total Data Set Mortality Tables with mortality improvement since 2006 using scale MP-2014 removed and projected on a fully generational basis using the future mortality improvement scale inherent in the mortality projection included in the Social Security Administration's 2014 Trustee Report.

Experience Study: The actuarial assumptions used in the December 31, 2014 valuation were selected and approved by the INPRS Board of Trustees and are consistent with the results of an experience study completed in April 2015, which reflects the experience period beginning July 1, 2010 and ending June 30, 2014. Several actuarial assumptions were updated for the current valuation as a result of the experience study. The interest rate continues to equal the Barclay's 20-year Municipal Bond Index rate as of the measurement date.

Discount Rate: There are no accumulated assets in the Plan. Therefore, the discount rate is set equal to the Barclay's 20-year Municipal Bond Index rate of 2.56% as of December 31, 2014

Discount Rate Sensitivity

The following represents the net pension liability of the City, calculated using the discount rate of 2.56%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.56 percent) or 1-percentage point higher (3.56 percent) than the current rate.

	1% Decrease (1.56%)	Current Rate (2.56%)	1% Increase (3.56%)
Net Pension Liability	40,462,124	$ 36,312,239	$ 32,818,067

Pension Cost

The pension plan does not issue a separate financial report.

Annual Pension Cost and Net Pension Obligation

The City's annual pension cost, net pension obligation and related information as provided by the actuary is presented in this note.

Annual Pension Cost and Net Pension Obligation

Annual required contribution	$ 2,385,800
Interest on net pension obligation	389,677
Adjustment to annual required Contribution	(803,705)
Annual pension cost	1,971,772
Contributions made	2,472,934
Increase (decrease) in net pension obligation	(501,162)
Net pension obligation (asset), beginning of year 12/31/2013	15,221,753
Net pension obligation, end of year 12/31/2014	$ 14,720,591

Annual Pension Cost

For the year ended December 31, 2014, the City's annual pension cost of $1,971,772 for the plan was less than the City's actual contribution of $2,472,934. The pension cost for the three most recent years is as follows:

	Fiscal Year Ended December 31		
	2014	2013	2012
Annual Pension Cost (APC)	$1,971,772	$2,180,300	$2,165,746
Percentage of APC contributed	126.0 %	113.9 %	126.9 %
Net pension obligation	$14,720,591	$15,221,753	$15,542,837

The use of the pay-as-you-go actuarial cost method by the primary government results in significant underfunding of the plan.

Actuarial Methods	1925 Police Officers Pension	1937 Firefighters' Pension
Contribution rates:		
Government	0%	0%
Plan members	0%	0%
Actuarial valuation date	01-01-2014	01-01-2014
Actuarial cost method	Entry age normal cost	Entry age normal cost
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed
Amortization period	30 years	30 years
Amortization period (from date)	01-01-05	01-01-05
Asset valuation method	N/A	N/A
Actuarial Assumptions		
Investment rate of return (Net of Expenses)	2.56%	2.56%
Projected future salary increases	2.50%	2.50%
Cost-of-living adjustments	2.00% & 2.5%	2.0% & 2.5%
Retirement	Based on 1976 Study	Based on 1976 Study

I. Change in Accounting

During the current year, the City adopted GASB Statement Number 67, Financial Reporting for Pension Plans. This statement required changes to the actuarial valuations resulting in a different measurement of the liability of the employer to plan members for benefits provided through the pension plan. As a result, the disclosures within the single employer pension footnotes have changed considerably along with the related schedules in the required supplementary information.

J. Upcoming Accounting Pronouncements

In June 2012, the GASB issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions. Statement No. 68 requires government providing defined benefit pensions to recognize their unfunded pension benefit obligations as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide statements will computed differently than the current unfunded actuarial accrued liability, suing specific parameters set forth by the GASB. The Statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this Statement are effective for financial statements for the year ending December 31, 2015.

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The City is currently evaluating the impact this standard will have on the financial statements when adopted, during the City's 2016 fiscal year.

K. Reporting Change – Prior Period Adjustment

The financial statements for the year ended December 31, 2013 have been restated in order to account for a change in accounting related to the Public Employees' Retirement Fund (PERF). The PERF is now classified as a cost-sharing multiple-employer pension plan. The effect of this correction was to remove the $396,429 net pension obligation related to the PERF from the governmental activities statement of net position and $242,972 from the business-type activities statement of net position.

The effect of this change is as follows:

	Governmental Activities	Business-Type Activities
Net Position – December 31, 2013 – As previously reported	$ 184,325,154	$ 149,042,073
Adjustment to remove PERF net pension obligation	396,429	242,972
Net position – January 1, 2014 –As restated	$ 184,721,583	$ 149,285,045

CITY OF LAFAYETTE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS

1925 Police Officers' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
1/1/2007	$ 861,582	$ 21,078,300	$ (20,216,718)	4%	$ 95,400	(21,192%)
1/1/2008	985,499	20,166,600	(19,181,101)	5%	-	0%
1/1/2009	470,188	22,762,300	(22,292,112)	2%	-	0%
1/1/2010	553,002	21,281,700	(20,728,698)	3%	-	0%
1/1/2011	1,060,791	21,111,900	(20,051,109)	5%	-	0%
1/1/2012	1,004,738	18,185,200	(17,180,462)	6%	-	0%
1/1/2013	984,459	17,647,200	(16,662,741)	6%	-	0%
1/1/2014	947,834	20,032,000	(19,084,166)	5%	-	0%

1937 Firefighters' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
1/1/2007	$ 1,562,361	$ 38,678,700	$ (37,116,339)	4%	$ 572,700	(6,481%)
1/1/2008	1,610,698	37,090,000	(35,479,302)	2%	248,200	0%
1/1/2009	558,942	33,879,700	(33,320,758)	3%	-	0%
1/1/2010	1,123,830	34,162,900	(33,039,070)	4%	102,300	0%
1/1/2011	1,216,016	33,683,000	(32,466,984)	2%	106,300	0%
1/1/2012	840,959	30,862,600	(30,021,641)	3%	-	0%
1/1/2013	1,046,988	30,562,700	(29,515,712)	3%	-	0%

City of Lafayette
Schedule of Changes in the Net Pension Liability and Plan Fiduciary Net Position
Year Ending December 31, 2014

	1925 Police Officers Pension	1937 Firefighters' Pension
Total Pension Liability		
Total Pension Liability-Beginning of year	$ 20,031,949	$ 33,937,356
Interest Cost	832,716	1,409,480
Experience (gains)/losses	-	-
Assumption changes	2,607,220	4,448,540
Benefit payments	(1,422,776)	(2,469,604)
Total Pension Liability-End of year	$ 22,049,109	$ 37,325,772
Plan Fiduciary Net Position		
Plan Fiduciary Net Position-Beginning of Year	$ 947,834	$ 1,016,455
Employer contributions	57,216	(4,175)
Non-employer contributing entity contributions	1,456,071	2,472,934
Benefit payments	(1,513,287)	(2,468,759)
Other net changes	(61,959)	(2,922)
Plan Fiduciary Net Position-End of Year	$ 885,875	$ 1,013,533
Net Pension Liability	$ 21,163,234	$ 36,312,239

CITY OF LAFAYETTE
SCHEDULE OF NET PENSION LIABILITY AND RELATED RATIOS

1925 Police Officers' Pension Plan

Year Ending	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Fiduciary Net Position as a Percentage of Total Pension Liability	Covered Employee Payroll	Net Pension Liability as a Percentage of Covered Payroll
12/31/2012	17,647,223	1,013,533	16,633,690	5.74%	-	N/A
12/31/2013	20,031,949	847,834	19,184,115	4.23%	-	N/A
12/31/2014	22,049,109	885,875	21,163,234	4.02%	-	N/A

1937 Firefighters' Pension Plan

Year Ending	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Fiduciary Net Position as a Percentage of Total Pension Liability	Covered Employee Payroll	Net Pension Liability as a Percentage of Covered Payroll
12/31/2012	30,562,715	$ 1,017,914	$ 29,544,801	3.33%	-	N/A
12/31/2013	33,937,356	1,016,455	32,920,901	3.00%	-	N/A
12/31/2014	37,325,772	1,013,533	36,312,239	2.72%	-	N/A

1925 Police Officers' Pension Plan

Year Ending	Stautorily Required Contribution	Actual Employer Contributions	Contribution Excess/ (Deficiency) Deficiency	Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
12/31/2012	1,465,342	1,465,342	-	-	N/A
12/31/2013	1,438,259	1,438,259	-	-	N/A
12/31/2014	1,513,287	1,513,287	-	-	N/A

1937 Firefighters' Pension Plan

Year Ending	Stautorily Required Contribution	Actual Employer Contributions	Contribution Excess/ (Deficiency) Deficiency	Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
12/31/2012	2,485,492	$ 2,485,492	$ -	-	N/A
12/31/2013	2,507,210	2,507,210	-	-	N/A
12/31/2014	2,468,759	2,468,759	-	-	N/A

CITY OF LAFAYETTE
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
GENERAL FUND AND MAJOR SPECIAL REVENUE FUND
For The Year Ended December 31, 2014

	General Fund				Highway Fund (MVH & LRS) Major Special Revenue Fund			
	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Favorable (Unfavorable)	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original	Final			Original	Final		
Revenues:								
Taxes:								
Property Taxes	$22,297,033	$22,297,033	$21,371,910	($925,123)	$1,923,735	$1,923,735	$1,845,574	($78,161)
Licenses and permits	227,000	227,000	469,629	242,629	-	-	-	-
Intergovernmental	8,155,000	8,155,000	8,614,814	459,814	3,005,774	3,005,774	3,631,062	625,288
Charges for services	3,188,000	3,188,000	303,617	(2,884,383)	20,000	20,000	17,277	(2,723)
Fines and forfeits	150,000	150,000	176,379	26,379	-	-	-	-
Other	130,000	130,000	2,928,539	2,798,539	-	16,868	113,463	96,595
TOTAL REVENUES	34,147,033	34,147,033	33,864,888	(282,145)	4,949,509	4,966,377	5,607,376	640,999
Expenditures:								
Current:								
General government:								
Personal Services	1,618,630	1,618,630	1,399,013	219,617	-	-	-	-
Supplies	132,675	132,675	168,453	(35,778)	-	-	-	-
Other Srv & Chrgs	1,225,880	1,225,880	1,274,501	(48,621)	-	-	-	-
Capital Outlays	16,000	16,000	15,946	54	-	-	-	-
Total general government	2,993,185	2,993,185	2,857,913	135,272	-	-	-	-
Public safety:								
Personal Services	27,085,650	27,085,650	26,728,737	356,913	-	-	-	-
Supplies	958,629	958,629	902,131	56,498	-	-	-	-
Other Srv & Chrgs	307,301	347,100	361,877	(14,777)	-	-	-	-
Capital Outlays	100,000	100,000	86,347	13,653	-	-	-	-
Total public safety	28,451,580	28,491,379	28,079,092	412,287	-	-	-	-
Highways and streets:								
Personal Services	-	-	-	-	3,728,400	3,728,400	3,561,672	166,728
Supplies	-	-	-	-	877,352	877,352	987,246	(109,894)
Other Srv & Chrgs	-	-	-	-	284,800	284,800	468,914	(184,114)
Capital Outlays	-	-	-	-	880,000	1,380,000	1,405,926	(25,926)
Total highways and streets	-	-	-	-	5,770,552	6,270,552	6,423,758	(153,206)
Sanitation:								
Personal Services	1,600,000	1,600,000	1,592,881	7,119	-	-	-	-
Supplies	333,500	333,500	303,873	29,627	-	-	-	-
Other Srv & Chrgs	5,500	5,500	6,870	(1,370)	-	-	-	-
Capital Outlays	-	-	-	-	-	-	-	-
Total sanitation	1,939,000	1,939,000	1,903,624	35,376	-	-	-	-
TOTAL EXPENDITURES	33,383,765	33,423,564	32,840,629	582,935	5,770,552	6,270,552	6,423,758	(153,206)
Net change in fund balances	763,268	723,469	1,024,259	(865,080)	(821,043)	(1,304,175)	(816,382)	794,205
Fund balances - beginning	870,420	820,352	(420,734)	(1,241,086)	1,530,209	1,486,198	2,242,009	755,811
Fund balances - December 31	$ 1,633,688	$ 1,543,821	$ 603,525	$ (940,296)	$ 709,166	$ 182,023	$ 1,425,627	$ 1,243,604

CITY OF LAFAYETTE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary date reflected in the budgetary comparison schedules:

A. The Controller's Office meets with each Department Head and their budget staff to review each budget expense line item and create a proposed operating budget for the next calendar year. Once accomplished the budget is then sent to the Mayor for his review. After the Mayoral review the budget is then shared with the Council President and or the Council Finance committee. Since the City is limited by law to a maximum levy amount, a great deal of attention is spent on balancing the budget as early in the process as can be done.

B. Prior to public meetings the budget is advertised. Following the advertisement Council then holds a public meeting and an initial vote is taken. 30 days after the first vote a second public meeting is held and again a vote is taken. At these meetings Council cannot raise the budget as presented but can take action to reduce it.

C. By November 1 the Council approved budget must be sent, along with proofs of advertisements to the State Department of Local Government Finance (DLGF) for approval. The DLGF will review to make sure that the budget expenditures and revenues are in balance and if acceptable will approve the budget as is or with certain adjustments and then set the tax rates.

D. Budgetary control is maintained by object classification within each department. Management cannot transfer appropriations between object classifications of the budget without the approval of the Common Council and in the case of certain funds, without the approval of the DLGF.

E. Formal budgetary integration is required by State statute and is used as a management control tool. An annual budget was legally adopted by for the following Major funds:

General Fund
MVH Fund

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SUPPLEMENTAL AUDIT OF

FEDERAL AWARDS

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the City of Lafayette's (City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133
(Continued)

Report on Internal Control Over Compliance

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

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

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

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

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

April 7, 2016

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

CITY OF LAFAYETTE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2014

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			
CDBG - Entitlement Grants Cluster			
Community Development Block Grants/Entitlement Grants	14.218	B12-MC-18008	$ 38,534
		B13-MC-18008	435,557
		B14-MC-18008	62,594
Total for cluster			536,685
Pass-Through Indiana Housing and Community Development Authority			
State-Administered CDBG Cluster			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228		
OCRA		DR2-09-246	436,753
Total for cluster			436,753
Direct Grant			
HOME Investment Partnerships Program	14.239	M11-DC-180212	40,646
		M12-DC-180212	323,190
		M13-DC-180212	163,719
		M14-DC-180212	84,680
Total for program			612,235
Pass-Through Indiana Housing and Community Development Authority			
Shelter Plus Care	14.238	SC-013-0146	55,573
Total for program			55,573
Continuum of Care Program	14.267	SC-013-0155-1	40,894
		SC-014-0155-1	69,406
Total for program			110,300
Total for federal grantor agency			1,751,546
U.S. DEPARTMENT OF JUSTICE			
Direct Grant			
JAG Program Cluster			
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants To Units Of Local Government	16.804	2013-DJ-BX-0826	21,426
Total for cluster			21,426
ARRA - Public Safety Partnership and Community Policing Grants	16.710	2013-UM-WX-0170	70,589
Total for program			70,589
Total for federal grantor agency			92,015
U.S. DEPARTMENT OF TRANSPORTATION			
Pass-Through Indiana Department of Transportation			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	A249-10-320939	151,422
		A249-11-320860	329,422
		A249-10-322061	29,320
		A249-12-320079	62,106
Total for cluster			572,270
Pass-Through Greater Lafayette Public Transportation Corporation			
Transit Services Programs Cluster			
New Freedom Program	20.521	IN-57-X018	40,924
Total for program			40,924
Pass-Through Indiana Criminal Justice Institute			
Highway Safety Cluster			
State and Community Highway Safety	20.600	D3-14-8210	50,551
		D3-15-8941	8,491
Total for program			59,042
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	D3-14-8132	32,993
Total for cluster			92,035
Total for federal grantor agency			705,229
Total federal awards expended			$ 2,548,790

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

CITY OF LAFAYETTE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

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

Note 2. Sub-recipients

Of the federal expenditures presented in the schedule, the City provided federal awards to sub-recipients as follows for the year ended December 31, 2014:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grants/Entitlement Grants	14.218	$ 137,492
HOME Investment Partnerships Program	14.239	545,603

CITY OF LAFAYETTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

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

Identification of Major Programs:

Name of Federal Program or Cluster
State Administered CDBG Cluster
HOME Investment Partnerships Program
Highway Planning and Construction Cluster

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 2014 -001 - PREPARATION OF THE FINANCIAL STATEMENTS

Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the City's audited financial statements and then determining how those identified risks should be managed. The City has identified risks to the preparation of reliable financial statements and has designed controls over the preparation of the financial statements, including notes to the financial statements, to prevent or detect material misstatements. However, it was determined that these controls were not effective due to a change in personnel and temporary under-staffing in the Controller's Office. This resulted in controls which were not effective in detecting all misstatements within the financial statements and notes to the financial statements.

The Deputy City Controller, a position which was vacant for over seven months, was responsible for preparing the financial statements and notes. The City Controller reviewed the financial statements and notes to the financial statements; however, material audit adjustments were necessary as follows:

1. Interest Expense and Accrued Interest Payable were overstated in the Wastewater Utility on the Proprietary Fund financial statements by $1,065,150.

2. The Construction Commitments note was incomplete and not reflective of the 2014 activity.

3. The Capital Assets note understated the Governmental Activities Construction in Progress increases and decreases by $1,503,271.

4. The Long-Term Liabilities note understated the Governmental Activities Revenue Bonds Interest debt service requirements to maturity by $7,492,218.

5. The Risk Management note failed to disclose the City's membership in a Medical Trust - Public Entity Risk Pool.

6. The Pension Plans note and Required Supplementary Information required multiple revisions to properly disclose the pensions and financial statement restatements for the adoption of changes made by Indiana Public Retirement System (INPRS).

Audit adjustments were proposed, accepted by the City Controller, and made to the financial statements, notes to the financial statements and required supplementary information.

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

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

Section III - Federal Award Findings and Questioned Costs

No matters are reportable.

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AUDITEE PREPARED DOCUMENTS

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

CITY OF
LAFAYETTE
OFFICE OF CONTROLLER

Original Indiana State Board of Accounts Audit Report Number:	44219
Fiscal Year:	1/1/2013 to 12/31/2013
Auditee Contact Person:	J. Michael Jones
Title of Contact Person:	Controller
Phone:	765-807-1011

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2013-002 Internal Controls Over The Home Investment Partnerships Program

The City of Lafayette has implemented an internal control system over the Home Investment Partnerships Program. The Planner/Project Manager is responsible for the reports submitted to HUD and the maximum unit subsidy calculation. The Community Development Director reviews both the reports and the calculation. The Controller's Office has a standing weekly meeting with the Planner/Project Manager and the Community Development Director. Internal controls, financial management, budgeting and reporting are frequently discussed in the meetings.

Finding 2013-003 Internal Controls Over ARRA-Public Safety Partnership And Community Policing Grants

The City of Lafayette implemented an internal control system to provide oversight, review and approval of reimbursement request reports and quarterly SF-425 Federal Financial Reports. The Police Department's Administrative Assistant requests reimbursement of salaries and benefits for the designated grant funded police officers. The summary of reimbursement requests submitted through the Grant Payment Request System (GRPS) is provided to the Deputy Controller after each payroll. The summary is reviewed and compared to the City's payroll for accuracy and completeness. The summary is also used by the Deputy Controller to verify the amounts reported on the quarterly SF-425 Federal Financial Report. The quarterly reports are prepared and submitted by a Captain of the Lafayette Police Department.

Sincerely,

J. Michael Jones
Controller
City of Lafayette

CITY OF
LAFAYETTE
OFFICE OF CONTROLLER

April 5, 2016

Corrective Action Plan

FINDING NO. 2014-001

Contact Person: Mike Jones
Title of Contact Person: Controller
Phone Number: 765-807-1011

Corrective Action Planned:

We would like to address each of the six points noted in the finding individually. Overall the City of Lafayette believes that the internal controls that exist are in fact sufficient to properly present a fair and accurate picture of its operations. The fact that our cash was correct and tied out is testament to that. However, in the time period when the financials were being prepared several one-time circumstances occurred.

First and foremost, the City is replacing its ERP software and the first milestone was going live with the new financial package at the same time we were preparing statements from our legacy system. This is a very large and complex software package as witnessed by the over one year of planning we had been going through to that point. At the same time, the Deputy Controller had taken another position and left the employment of the City. Thus, with limited staff, a myriad of tasks with the new software, running several modules of the old software, preparing for implementation of other modules of the new software, my review was not complete. These circumstances will not be occurring again.

Item 1 is the result of a timing issue between the bank that is our paying agent for this bond and the methodology employed by all of our other bond paying agents. We transfer funds from operations to debt service accounts before the end of the year. On the first day of the year the bond paying agent takes the funds from debt service and pays bondholders. In this instance the bond paying agent paid the interest before 12/31/14 for the convenience of the bank. We have a meeting set up with the bank to rectify this so that this situation will not happen again.

Items 2, 3, and 4 relate to the supporting notes. Our financial statement was in fact correct but I did not see that the inclusion of those proper numbers to the supplemental schedules either in part or in total, was completed satisfactorily. Worksheets have been redone and with the new software there won't be the need to run several reports to produce information for proper note disclosure.

Item 5 concerns our health insurance trust participation. We have been a member of the IACT Medical Trust since 2009. I was not aware nor has it ever been mentioned by the SBOA in any of the audits prior to 2014 that my note was deficient. It will be added as long as we are a member of the Trust.

Item 6 was due to the complexity and confusion created by the implementation of GASB 68. Although we attended several webinars and read the information that was available we did not have the information in our note section properly reported. We will have a financial analyst review our note in the future before inclusion into the notes.

Anticipated Completion Date: Currently in Progress.

Very truly yours,

J. Michael Jones
Controller

OTHER REPORTS

In addition to this report, other reports may have been issued for the City. All reports can be found on the Indiana State Board of Accounts' website: http://www.in.gov/sboa/.