

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

FINANCIAL STATEMENTS AND
FEDERAL SINGLE AUDIT REPORT
CITY OF LAFAYETTE
TIPPECANOE COUNTY, INDIANA
January 1, 2015 to December 31, 2015



FILED
01/27/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	J. Michael Jones	01-01-15 to 12-31-16
Mayor	Tony Roswarski	01-01-12 to 12-31-19
President of the Board of Public Works	Gary D. Henriott	01-01-15 to 12-31-16
President of the Board of Public Works and Safety	Lauren Ahlersmeyer Ronald B. Campbell	01-01-15 to 12-31-15 01-01-16 to 12-31-16



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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, 2015, 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 also 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, 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note III.H. to the financial statements, the City adopted new accounting guidance, GASB Statement 68 *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America 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's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

INDEPENDENT AUDITOR'S REPORT
(Continued)

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, Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 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, CPA
State Examiner

December 21, 2016



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lafayette (City), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 21, 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.

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

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


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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

December 21, 2016

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, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 41,022,887	\$ 34,164,615	\$ 75,187,502
Cash with fiscal agent	4,258,446	-	4,258,446
Receivable (net of allowance for uncollectibles)			
Loans	555,936	-	555,936
Taxes	865,769	-	865,769
Accounts	345,347	3,382,933	3,728,280
Intergovernmental	3,053,529	-	3,053,529
Interest	-	27,017	27,017
Internal balances	78,500	(78,500)	-
Inventories	379,156	1,156,925	1,536,081
Prepaid expense	818,640	281,730	1,100,370
Net pension asset	2,947,459	-	2,947,459
Capital assets:			
Land, improvements and construction in progress	62,208,242	53,092,460	115,300,702
Other capital assets, net of depreciation	166,161,406	188,157,959	354,319,365
Restricted assets:			
Cash and cash equivalents	5,292,882	290,069	5,582,951
Investments	-	8,044,933	8,044,933
Total Assets	287,988,199	288,520,141	576,508,340
DEFERRED OUTFLOWS of RESOURCES:	8,474,935	1,657,026	10,131,961
LIABILITIES:			
Accounts payable	3,810,818	495,603	4,306,421
Contracts payable		3,779,457	3,779,457
Accrued payroll and withholdings payable	833,581	240,930	1,074,511
Interfund loan payable		72,500	72,500
Intergovernmental payable	3,242,016	-	3,242,016
Taxes payable	-	14,892	14,892
Accrued interest payable	533,284	559,835	1,093,119
Deposit for extension refund contracts	-	7,972	7,972
Performance deposits payable	742,345	727,111	1,469,456
Unearned Revenue	11,489	-	11,489
Payable from restricted assets:			
Customer deposits	4,742	140,427	145,169
Noncurrent liabilities:			
Due within one year			
General obligation bonds payable	895,000	-	895,000
Revenue bonds payable	6,160,000	4,140,000	10,300,000
Notes and loans payable	309,352	819,000	1,128,352
Capital Lease obligations	110,719	-	110,719
Due in more than one year			
General obligation bonds payable	2,296,212	-	2,296,212
Revenue bonds payable	44,781,466	105,605,883	150,387,349
Notes and loans payable	158,232	2,791,000	2,949,232
Capital Lease obligations	1,202,169		1,202,169
Other postemployment benefit obligation	1,136,720	2,273,441	3,410,161
Net pension liability	64,284,623	4,961,316	69,245,939
Total Liabilities	130,512,768	126,629,367	257,142,135
DEFERRED INFLOWS of RESOURCES:	10,716,640	491,446	11,208,086
NET POSITION:			
Net Investment in capital assets	172,421,498	127,894,536	300,316,034
Restricted for:			
Donor designated use	12,553	-	12,553
Debt Service	2,038,313	8,194,575	10,232,888
Customer Deposit Fund	-	140,427	140,427
Unrestricted	(19,238,638)	26,826,816	7,588,178
Total Net Position	\$ 155,233,726	\$ 163,056,354	\$ 318,290,080

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, 2015

Functions/Programs	Program Revenues				Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government							
Governmental activities							
General Government	\$ 5,494,824	\$ 707,752	\$ 29,399	\$ -	\$ (4,757,673)	\$ -	\$ (4,757,673)
Public Safety	29,221,205	164,163	284,736	-	(28,772,306)	-	(28,772,306)
Highways and Streets	9,744,609	31,133	-	10,385	(9,703,091)	-	(9,703,091)
Sanitation	2,087,140	-	-	-	(2,087,140)	-	(2,087,140)
Culture and Recreation	5,247,735	978,904	-	-	(4,268,831)	-	(4,268,831)
Economic Development	10,854,496	2,100	2,405,643	-	(8,446,753)	-	(8,446,753)
Total governmental activities	62,650,009	1,884,052	2,719,778	10,385	(58,035,794)	-	(58,035,794)
Business-type activities							
Water Utility	8,961,667	7,317,615	-	-	-	(1,644,052)	(1,644,052)
Wastewater Utility	23,663,343	31,706,401	-	-	-	8,043,058	8,043,058
Parking Garage	334,239	328,006	-	-	-	(6,233)	(6,233)
Section 108	73,192	-	-	-	-	(73,192)	(73,192)
Total business-type activities	33,032,441	39,352,022	-	-	-	6,319,581	6,319,581
Total primary government	\$ 95,682,450	\$ 41,236,074	\$ 2,719,778	\$ 10,385	\$ (58,035,794)	\$ 6,319,581	\$ (51,716,213)
General Revenues:							
Property taxes					39,648,908	-	39,648,908
Intergovernmental Revenues					18,768,874	-	18,768,874
Payment in Lieu of Taxes					2,700,000	-	2,700,000
Other revenues					2,590,125	202,741	2,792,866
Unrestricted investment earnings					39,986	149,674	189,660
Contributed Capital					-	1,090,107	1,090,107
Total general revenues and separate line items					63,747,893	1,442,522	65,190,415
Changes in net position					5,712,099	7,762,103	13,474,202
Net position - beginning of year (as restated)					149,521,627	155,294,251	304,815,878
Net position - end of year					\$ 155,233,726	\$ 163,056,354	\$ 318,290,080

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

City of Lafayette
Balance Sheet
Governmental Funds
December 31, 2015

	General	Motor Vehicle	Thoroughfares	Redevelopmnt Authority	EDIT	TIF Alloc Central Cnskdatd	Other	Total
ASSETS								
Cash and cash equivalents	\$ 2,680,576	\$ 732,610	\$ 10,763,975	\$ 9,591,268	\$ 895,619	\$ 7,745,198	\$ 8,385,356	\$ 40,794,602
Cash with Fiscal Agent	-	-	-	3,421,470	-	-	836,976	4,258,446
Receivables (Net of allowance for uncollectibles)	-	-	-	-	-	-	-	-
Loans	-	4,245	-	-	72,500	350,052	129,139	555,936
Taxes	498,512	45,129	-	-	-	165,182	156,946	865,769
Accounts	23,123	6,250	-	-	-	21,785	294,189	345,347
Intergovernmental	1,370,689	522,198	-	-	930,563	2,059	228,020	3,053,529
Restricted Cash	-	-	-	1,253,240	-	337,585	3,702,057	5,292,882
Total Assets	\$ 4,572,900	\$ 1,310,432	\$ 10,763,975	\$ 14,265,978	\$ 1,898,682	\$ 8,621,861	\$ 13,732,683	\$ 55,166,511
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts Payable	\$ 225,625	\$ 67,251	\$ 946,423	\$ 1,071,275	\$ 200,363	\$ 635,690	\$ 551,098	\$ 3,697,725
Accrued payroll and withholding payable	692,114	79,190	-	-	-	-	62,277	833,581
Intergovernmental payable	-	-	-	-	-	-	3,242,016	3,242,016
Accrued interest payable	-	-	-	499,063	3,370	12,704	18,147	533,284
Unearned revenue	742,482	64,280	-	-	930,563	165,182	227,235	2,129,742
Customer Deposits	(11,483)	-	-	-	-	10,000	6,225	4,742
Performance deposits payable	10,000	-	542,500	-	-	-	189,845	742,345
Interfund services provided and used	174,369	117,485	-	-	638	-	17,870	310,362
Total Liabilities	1,833,107	328,206	1,488,923	1,570,338	1,134,934	823,576	4,314,713	11,493,797
Fund Balances								
Restricted	-	982,226	9,275,052	12,695,640	-	-	5,297,706	28,250,624
Committed	-	-	-	-	-	7,798,285	383,556	8,181,841
Assigned	-	-	-	-	763,748	-	932,405	1,696,153
Unassigned	2,739,793	-	-	-	-	-	2,804,302	5,544,095
Total Fund Balances	2,739,793	982,226	9,275,052	12,695,640	763,748	7,798,285	9,417,969	43,672,713
Total Liabilities and Fund Balances	\$ 4,572,900	\$ 1,310,432	\$ 10,763,975	\$ 14,265,978	\$ 1,898,682	\$ 8,621,861	\$ 13,732,682	

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.	228,369,648
Current assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,276,296
Net pension assets are not available to pay for current period expenditures, and therefore are not reported in the funds.	2,947,459
Deferred outflows of resources used in governmental activities are not available to pay for current period expenditures and therefore are not reported in the funds.	8,474,935
City and state collections that are not available until the next calendar year are recognized as revenue in government-wide funds but are unearned in the fund balance.	2,118,253
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.	425,555
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(55,913,150)
Net pension liability and other postemployment benefit obligation are not due and payable in the current period and, therefore are not reported in the funds.	(65,421,343)
Deferred inflows of resources do not present a claim on current financial resources and are not reported in the funds.	(10,716,640)

Net Position of Governmental Activities

\$ 155,233,726

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, 2015

	General	Motor Vehicle	Thoroughfares	Redevelopmt Authority	EDIT	TIF Alloc Central Cnsldatd	Other	Total
REVENUES								
General Property Taxes	\$ 22,690,077	\$ 2,054,084	\$ -	\$ -	\$ -	\$ 7,518,373	\$ 7,588,184	\$ 39,850,718
Licenses and permits	476,710	-	-	-	-	-	-	476,710
Intergovernmental	8,886,729	4,040,386	-	-	5,319,034	-	3,230,266	21,476,415
Charges for services	20,543	26,373	-	-	-	-	1,299,222	1,346,138
Fines and forfeits	190,064	-	-	-	-	-	-	190,064
Other	3,519,929	193,383	-	6,105,697	216,388	137,320	688,945	10,861,662
	-	-	-	-	-	-	-	-
Total Revenues	35,784,052	6,314,226	-	6,105,697	5,535,422	7,655,693	12,806,617	74,201,707
EXPENDITURES								
Current:								
General Government	2,899,456	-	-	-	-	-	365,555	3,265,011
Public Safety	28,806,967	-	-	-	-	-	523,594	29,330,561
Highways and Streets	-	6,387,429	-	-	-	-	-	6,387,429
Sanitation	1,910,382	-	-	-	-	-	-	1,910,382
Culture and Recreation	-	-	-	-	-	-	5,486,737	5,486,737
Economic Development	-	-	-	8,815,660	5,459,840	4,811,666	4,079,843	23,167,009
Capital Outlay:								
Public Safety	32,605	-	-	-	-	-	-	32,605
Highways and Streets	-	370,198	7,923,881	-	-	-	-	8,294,079
Economic Development	-	-	-	2,583,063	1,533,327	1,705,826	7,658,605	13,480,821
	-	-	-	-	-	-	-	-
Total Expenditures	33,649,410	6,757,627	7,923,881	11,398,723	6,993,167	6,517,492	18,114,334	91,354,634
Excess (deficiency) of revenues over (under) expenditures	2,134,642	(443,401)	(7,923,881)	(5,293,026)	(1,457,745)	1,138,201	(5,307,717)	(17,152,927)
Other Financing Sources (Uses)								
Capital Lease Proceeds	-	-	-	-	1,312,888	-	-	1,312,888
Bond Issue Proceeds	-	-	-	-	-	4,420,000	-	4,420,000
Transfers In	1,626	-	4,500,000	-	-	-	-	4,501,626
	-	-	-	-	-	(4,500,000)	(1,626)	(4,501,626)
Total Other Financing Sources (Uses)	1,626	-	4,500,000	-	1,312,888	(80,000)	(1,626)	5,732,888
Net changes in fund balances	2,136,268	(443,401)	(3,423,881)	(5,293,026)	(144,857)	1,058,201	(5,309,343)	(11,420,039)
Fund balances - beginning	603,525	1,425,627	12,698,933	17,988,666	908,605	6,740,084	14,727,312	55,092,752
Fund balances - ending	\$ 2,739,793	\$ 982,226	\$ 9,275,052	\$ 12,695,640	\$ 763,748	\$ 7,798,285	\$ 9,417,969	\$ 43,672,713

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, 2015

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).	\$	(11,420,039)
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.		16,106,841
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.		(174,135)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(203,791)
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.		7,674,191
Net pension obligations and Other postemployment benefit obligations are considered long-term obligations of the general government, but are not current expenditures.		(6,267,456)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.		<u>(3,512)</u>
Change in net position of governmental activities (statement of activities)	\$	<u>5,712,099</u>

CITY OF LAFAYETTE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2015

Assets	Business-Type Activities - Enterprise Funds				Internal Service Fund
	Water Utility	Wastewater Utility	Other Enterprise	Total	
Current assets:					
Cash and cash equivalents:					
Operating cash	\$ 1,340,519	\$ 12,961,666	\$ 177,902	\$ 14,480,087	\$ 227,755
Depreciation cash	1,021,344	14,624,242	-	15,645,586	-
Bond and Interest cash	-	4,038,942	-	4,038,942	-
Accounts receivable (net of allowance)	298,525	3,075,439	8,969	3,382,933	-
Interest receivable	-	-	27,017	27,017	-
Interfund receivables:					
Interfund services provided and used	-	-	-	-	389,213
Inventories	435,235	721,690	-	1,156,925	221,246
Prepaid items	95,200	186,530	-	281,730	-
Total current assets	3,190,823	35,608,509	213,888	39,013,220	838,214
Noncurrent assets:					
Restricted cash, cash equivalents and investments:					
Customer deposits	140,427	-	-	140,427	-
Revenue bond covenant accounts	-	25,920	123,722	149,642	-
Investments	-	5,553,924	2,491,009	8,044,933	-
Total restricted assets:	140,427	5,579,844	2,614,731	8,335,002	-
Capital assets:					
Land, improvements to land and construction in progress	4,804,821	47,603,658	683,981	53,092,460	-
Other capital assets (net of accumulated depreciation)	31,655,036	154,155,551	2,347,372	188,157,959	1,742
Total capital assets	36,459,857	201,759,209	3,031,353	241,250,419	1,742
Total noncurrent assets	36,600,284	207,339,053	5,646,084	249,585,421	1,742
Total assets	39,791,107	242,947,562	5,859,972	288,598,641	839,956
Deferred Outflows of Resources	741,301	915,725	-	1,657,026	-
Liabilities					
Current liabilities:					
Accounts payable	167,015	328,090	498	495,603	113,094
Contracts payable	-	3,779,457	-	3,779,457	-
Interfund payables:					
Interfund services provided and used	28,715	49,219	566	78,500	352
Accrued wages payable	87,841	149,462	3,627	240,930	-
Other payable	22,492	727,111	72,872	822,475	-
Current liabilities payable from restricted assets:					
Customer deposits	140,427	-	-	140,427	-
Revenue bonds payable	-	4,140,000	-	4,140,000	-
Notes and loans payable	-	64,000	755,000	819,000	-
Accrued interest payable	-	529,994	29,841	559,835	-
Total current liabilities	446,490	9,767,333	862,404	11,076,227	113,446
Noncurrent liabilities:					
Revenue bonds payable (net of unamortized discounts or premiums)	-	105,605,883	-	105,605,883	-
Notes and loans payable	-	1,131,000	1,660,000	2,791,000	-
OPEB obligation	1,136,721	1,136,720	-	2,273,441	-
Net pension liability	2,219,536	2,741,780	-	4,961,316	-
Total noncurrent liabilities	3,356,257	110,615,383	1,660,000	115,631,640	-
Total liabilities	3,802,747	120,382,716	2,522,404	126,707,867	113,446
Deferred Inflows of Resources	219,857	271,589	-	491,446	-
Net position					
Invested in capital assets, net of related debt	36,459,857	90,818,326	616,353	127,894,536	-
Restricted for debt service	-	5,579,844	2,614,731	8,194,575	-
Customer Deposit Fund	140,427	-	-	140,427	-
Unrestricted	(90,480)	26,810,812	106,484	26,826,816	726,510
Total net position	\$ 36,509,804	\$ 123,208,982	\$ 3,337,568	\$ 163,056,354	\$ 726,510

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

CITY OF LAFAYETTE
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2015

	Enterprise Funds				Internal Service Fund
	Water Utility	Wastewater Utility	Other Enterprise	Total	
Operating revenues:					
Unmetered water revenue	\$ 33,413	\$ -	\$ -	\$ 33,413	\$ -
Metered water revenue:					
Residential	3,074,291	-	-	3,074,291	-
Commercial	1,837,060	-	-	1,837,060	-
Industrial	693,781	-	-	693,781	-
Fire protection revenue	1,310,308	-	-	1,310,308	-
Measured revenue:					
Residential	-	7,850,775	-	7,850,775	-
Commercial	-	5,193,937	-	5,193,937	-
Industrial	-	13,633,032	-	13,633,032	-
Stormwater	-	3,709,268	-	3,709,268	-
Parking	-	-	328,006	328,006	-
Other	368,762	1,319,389	-	1,688,151	396,022
Total operating revenues	7,317,615	31,706,401	328,006	39,352,022	396,022
Operating expenses:					
Source of supply and expense - operations and maintenance	1,173,423	-	-	1,173,423	-
Water treatment expense - operations and maintenance	415,069	-	-	415,069	-
Transmission and distribution	1,102,182	-	-	1,102,182	-
Pumping - operations and maintenance	60,840	-	-	60,840	-
Collection system - operations and maintenance	-	2,089,837	-	2,089,837	-
Treatment and disposal expense - operations and maintenance	-	2,796,850	-	2,796,850	-
Customer accounts	627,989	634,133	-	1,262,122	-
Administration and general	2,970,710	3,924,079	-	6,894,789	398,434
Stormwater operations and maintenance	-	1,312,623	-	1,312,623	-
Parking operations and maintenance	-	-	225,149	225,149	-
Bad debt expense	45,985	108,169	-	154,154	-
Depreciation and amortization	1,079,457	6,813,398	109,090	8,001,945	1,100
Change in pension and OPEB obligation	624,627	700,396	-	1,325,023	-
Total operating expenses	8,100,282	18,379,485	334,239	26,814,006	399,534
Operating income	(782,667)	13,326,916	(6,233)	12,538,016	(3,512)
Nonoperating revenues (expenses):					
Interest and investment revenue	18,683	101,882	29,109	149,674	-
Miscellaneous revenue	155,515	47,226	-	202,741	-
Interest expense	-	(3,274,550)	(71,873)	(3,346,423)	-
Miscellaneous expense	(861,385)	(2,009,308)	(1,319)	(2,872,012)	-
Total nonoperating revenue (expenses)	(687,187)	(5,134,750)	(44,083)	(5,866,020)	-
Income (loss) before contributions	(1,469,854)	8,192,166	(50,316)	6,671,996	(3,512)
Capital contributions	491,588	598,519	-	1,090,107	-
Transfer Out	-	-	-	-	(87,754)
Change in net position	(978,266)	8,790,685	(50,316)	7,762,103	(91,266)
Total net position - beginning	38,864,146	116,118,156	3,387,884	158,370,186	817,776
Prior period adjustment	(1,376,076)	(1,699,859)	-	(3,075,935)	-
Beginning net position - adjusted	37,488,070	114,418,297	3,387,884	155,294,251	817,776
Total net position - ending	36,509,804	123,208,982	3,337,568	163,056,354	726,510

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, 2015

	Enterprise Funds				Internal Service Fund
	Water Utility	Wastewater Utility	Other Enterprise	Total	
Cash flows from operating activities:					
Receipts from customers and users	\$ 7,490,311	\$ 31,531,331	\$ 319,037	\$ 39,340,679	\$ 378,649
Payments to suppliers	(3,143,131)	(3,463,749)	(61,777)	(6,668,657)	(342,137)
Payments to employees	(3,534,558)	(4,435,311)	(92,452)	(8,062,321)	-
Net cash provided by operating activities	812,622	23,632,271	164,808	24,609,701	36,512
Cash flows from noncapital financing activities:					
Transfer to other funds	-	-	-	-	(87,754)
Nonoperating revenue	155,517	47,226	-	202,743	-
Nonoperating expenses	(861,385)	(1,961,309)	(1,319)	(2,824,013)	-
Net cash provided by noncapital financing activities	(705,868)	(1,914,083)	(1,319)	(2,621,270)	(87,754)
Cash flows from capital and related financing activities:					
Purchase of capital assets	(1,055,552)	(13,279,587)	-	(14,335,139)	-
Principal paid on capital debt	-	(6,790,000)	(85,000)	(6,875,000)	-
Interest paid on capital debt	-	(4,204,735)	(72,055)	(4,276,790)	-
Net cash used by capital and related financing activities	(1,055,552)	(24,274,322)	(157,055)	(25,486,929)	-
Cash flows from investing activities:					
Sale of investments	-	-	132,863	132,863	-
Interest received	18,683	101,882	24,543	145,108	-
Net increase (decrease) in cash and cash equivalents	(930,115)	(2,454,252)	163,840	(3,220,527)	(51,242)
Cash and cash equivalents, January 1 (Including \$137,884 for the Customer deposits reported in the restricted accounts)	3,432,405	34,105,022	137,784	37,675,211	278,997
Cash and cash equivalents, December 31 (Including \$140,427 and \$149,642 for the customer deposit and revenue bond covenant accounts, respectively, reported in the restricted accounts)	\$ 2,502,290	\$ 31,650,770	\$ 301,624	\$ 34,454,684	\$ 227,755
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income	\$ (782,667)	\$ 13,326,916	\$ (6,233)	\$ 12,538,016	\$ (3,512)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	1,079,457	6,813,398	109,090	8,001,945	1,100
(Increase) decrease in assets:				-	
Accounts receivable	(1,830)	(175,240)	(8,969)	(186,039)	-
Inventories	(30,163)	25,228	-	(4,935)	64,457
Prepaid Items	-	(81,000)	-	(81,000)	-
Increase (decrease) in liabilities:					
Customer deposits	2,543	-	372	2,915	-
Accounts payable	(99,573)	(276,457)	(2,262)	(378,292)	(7,786)
Contracts payable	-	3,779,457	-	3,779,457	-
Accrued wages payable	19,799	33,360	1,243	54,402	-
Interfund services provided and used	(2,765)	11,483	(933)	7,785	(17,747)
OPEB obligation	302,611	302,612	-	605,223	-
Net pension liability	322,016	397,785	-	719,801	-
Other payable	3,194	(525,271)	72,500	(449,577)	-
Total adjustments	1,595,289	10,305,355	171,041	12,071,685	40,024
Net cash provided by operating activities	\$ 812,622	\$ 23,632,271	\$ 164,808	\$ 24,609,701	\$ 36,512
Noncash investing, capital and financing activities:					
Contributions of capital assets from private contractors	\$ 491,588	\$ 598,519	\$ -	\$ 1,090,107	\$ -

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, 2015

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
Cash and cash equivalents	\$ 1,963,823	\$ 961,045
Receivables:		
Due from other funds	-	2,843
Total receivables	-	2,843
Total assets	<u>1,963,823</u>	<u>\$ 963,888</u>
 <u>Liabilities</u>		
Trust payable	\$ -	\$ 8,708
Accounts payable	<u>4,458</u>	<u>955,180</u>
Total liabilities	<u>4,458</u>	<u>\$ 963,888</u>
 <u>Net Position</u>		
Held in trust for:		
Employees' pension benefits and other purposes	<u>1,959,365</u>	
Total Net Position	<u>\$ 1,959,365</u>	

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

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CITY OF LAFAYETTE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended December 31, 2015

<u>Additions</u>	<u>Pension Trust Funds</u>
Contributions:	
State Contributions	\$ 3,989,809
Total additions	<u>3,989,809</u>
<u>Deductions</u>	
Benefits	3,911,129
Administrative expense	<u>13,339</u>
Total deductions	<u>3,924,468</u>
Changes in net assets	65,341
Net Position - beginning	<u>1,894,024</u>
Net Position - ending	<u>\$ 1,959,365</u>

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

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

Blended Component Units

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

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

Joint Venture

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

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due.

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

The City reports the following major governmental funds:

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

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

The 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.

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

(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, 2015. 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. 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.

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

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 \$3,346,423. Of the amount, none was included as part of the cost of capital assets under construction.

7. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 1925 Police Officers' Pension Plan (1925 Plan), Public Employees' Retirement Fund (PERF), and the 1977 Police Officers' and Firefighters' Pension and Disability Fund (1977 Plan) and additions to/deductions from the aforementioned plans' fiduciary net position have been determined on the same basis as they are reported by the 1925 Plan, PERF and the 1977 Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

8. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has deferred outflows and deferred inflows related to their Pension Plans (see Note H for additional information on the City's Pension Plans). The City recognized a deferred outflow for City contributions made to Pension Plans made after the measurement date. In addition, the City has deferred outflows and deferred inflows related to differences between the Plans expected and actual experience, differences between projected and actual investment earnings on Pension Plan investments, change in Pension Plan assumptions, and changes in the proportion and differences between employer contributions and proportionate share of contributions.

9. 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.

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

10. 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.

11. 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.

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

12. 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%, 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% 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%. Until the 10% 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.

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.

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. The City Common Council adopted a formal investment policy on September 6, 2016 that is consistent with all provisions of Indiana Code 5-13. As of December 31, 2015, the City had the following investments:

Investment Deposit	\$ 7,940,000
Realized gains/losses	-
Unrealized gains/(losses) relating to instruments still held at the reporting date	104,933
Balance, end of year market value:	\$ 8,044,933

Investment Type	Business-type Activities	Investment Maturities(in Years)	
	Fair Value	Less Than 1	1-5
U.S. government agency securities	\$ 8,044,933	\$ 1,974,285	\$ 6,070,648

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.

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities listed in the City's investment policy. At December 31, 2015, the City held investments in U.S. government agency securities in the amount of \$8,044,933. 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 will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities prior to maturity.

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 will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities listed in the City's investment policy.

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 will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities listed in the City's investment policy. 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 any foreign currency. The City's exposure to foreign currency risk is minimal as a result of limiting investments to the types of securities listed in the City's investment policy.

B. Capital Assets

Capital asset activity for the year ended December 31, 2015, was as follows:

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Primary government</u>	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activity:				
Capital assets, not being depreciated:				
Land	\$ 25,013,891	\$ -	\$ 277,968	\$ 24,735,923
Construction in progress	19,219,522	18,742,312	489,515	37,472,319
Total capital assets, not being depreciated	44,233,413	18,742,312	767,483	62,208,242
Capital assets, being depreciated:				
Buildings	33,594,508	-	-	33,594,508
Improvements other than buildings	7,591,761	-	-	7,591,761
Machinery and equipment	6,014,720	2,681,461	1,473,298	7,222,883
Vehicles	15,653,981	3,109,844	3,032,018	15,731,807
Infrastructure	200,633,064	411,250	-	201,044,314
Totals	263,488,034	6,202,555	4,505,316	265,185,273
Less accumulated depreciation for:				
Buildings	(11,316,283)	(746,187)	-	(12,062,470)
Improvements other than buildings	(3,997,153)	(366,461)	-	(4,363,614)
Machinery and equipment	(5,145,126)	(266,282)	(152,300)	(5,259,108)
Vehicles	(11,414,722)	(991,927)	(1,664,349)	(10,742,300)
Infrastructure	(63,362,443)	(3,233,932)	-	(66,596,375)
Totals	(95,235,727)	(5,604,789)	(1,816,649)	(99,023,867)
Total capital assets, being depreciated, net	168,252,307	597,766	2,688,667	166,161,406
Total governmental activity capital assets, net	<u>\$ 212,485,720</u>	<u>\$ 19,340,078</u>	<u>\$ 3,456,150</u>	<u>\$ 228,369,648</u>
Business-type activity:				
Capital assets, not being depreciated:				
Land	\$ 2,528,989	\$ -	\$ -	\$ 2,528,989
Construction in progress	37,766,448	12,808,249	11,226	50,563,471
Total capital assets, not being depreciated	40,295,437	12,808,249	11,226	53,092,460
Capital assets, being depreciated:				
Buildings	18,456,919	-	-	18,456,919
Improvements other than buildings	485,247	-	-	485,247
Machinery and equipment	75,924,088	488,758	9,204	76,403,642
Vehicles	3,745,329	1,177,602	303,484	4,619,447
Infrastructure	170,305,415	1,090,107	-	171,395,522
Totals	268,916,998	2,756,467	312,688	271,360,777
Less accumulated depreciation for:				
Buildings	(4,687,787)	(399,696)	-	(5,087,483)
Improvements other than buildings	(127,323)	(37,545)	-	(164,868)
Machinery and equipment	(37,687,639)	(3,897,059)	(9,204)	(41,575,494)
Vehicles	(2,290,150)	(405,325)	(224,074)	(2,471,401)
Infrastructure	(30,641,252)	(3,262,320)	-	(33,903,572)
Totals	(75,434,151)	(8,001,945)	(233,278)	(83,202,818)
Total capital assets, being depreciated, net	193,482,847	(5,245,478)	79,410	188,157,959
Total business-type activity capital assets, net	<u>\$ 233,778,284</u>	<u>\$ 7,562,771</u>	<u>\$ 90,636</u>	<u>\$ 241,250,419</u>

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

	<u>2015</u>	<u>2014</u>
Governmental activities:		
General government	\$ 353,257	\$ 375,196
Public safety	865,806	811,229
Public works, including depreciation of general infrastructure assets	3,357,179	3,139,542
Health and sanitation	176,758	102,026
Culture and recreation	830,271	818,201
Community development	20,418	20,418
Internal service funds	<u>1,100</u>	<u>1,100</u>
 Total depreciation expense - governmental activities	 <u>\$ 5,604,789</u>	 <u>\$ 5,267,712</u>
Business-type activities:		
Water	\$ 1,079,457	\$ 1,064,188
Wastewater	6,813,398	6,686,625
Other	<u>109,090</u>	<u>75,894</u>
 Total depreciation expense - business-type activities	 <u>\$ 8,001,945</u>	 <u>\$ 7,826,707</u>
 Grand Total	 <u>\$ 13,606,734</u>	 <u>\$ 13,094,419</u>

C. Construction Commitments

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

Project	Total Project Authorized	Expended to December 31, 2015	Committed	Require Future Funding
Governmental Activities:				
Police Annex-Armory	\$ 400,911	\$ 400,911	\$ -	
Myer's Pedestrian Bridge Rehab	1,200,000	1,056,504	143,496	x
Union Street Drainage	733,557	733,557	-	
Big Four Depot	1,071,900	925,718	146,182	
Fire Grant 37K Fairfield Twsp	37,000	33,378	3,622	x
New Fire Truck	700,000	28,067	671,933	
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 Acquisition	50,369	2,021	48,348	x
Old Romney Road	8,550,000	7,206,315	1,343,685	x
S18th Street Widening	1,800,000	1,542,700	257,300	x
Sagamore Parkway Reconstruction	20,000,000	11,545,557	8,454,443	x
South Street Reconstruction	1,000,000	538,469	461,531	x
Rome Drive	1,249,515	1,249,515	-	
Greenbush Street	84,600	55,695	28,905	x
South Tipp Park	220,000	219,458	542	
Zoo Education Building	31,649	31,649	-	
Loeb Stadium Renovation	360,000	253,708	106,292	
Columbian Park Entrance-Pedestrian Crossing	115,000	93,457	21,543	

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Project	Total Project Authorized	Expended to December 31, 2015	Committed	Require Future Funding
Memorial Island-Columbian Park	125,000	118,745	6,255	
McAllister Center HVAC	20,000	19,614	386	
Annexation	26,424	26,424	-	
Trail Development	250,000	232,468	17,532	x
Upper Berlowitz Master Plan	110,000	109,256	744	x
General Electric-Road	2,000,000	1,886,226	113,774	x
Long Center	404,740	354,332	50,408	x
Parking Renovations	32,000	13,302	18,698	x
Durkee's Run CSO	4,118,993	4,118,993	-	
Sidewalks N26th Cason to Union	99,950	72,507	27,443	
Citywide Trail Master Plan	150,000	56,080	93,920	x
Sidewalk SR38 From Kingsway to Creasy	300,000	97,253	202,747	
New Vehicle Purchases 2015	942,476	942,476	-	
Totals Governmental Funds	\$ 56,284,084	\$ 37,472,319	\$ 18,811,765	

Project	Total Project Authorized	Expended to December 31, 2015	Committed	Require Future Funding
Enterprise Funds				
Valley Street Drainage	\$ 4,000,000	\$ 378,546	\$ 3,621,454	x
Union Street Drainage	730,000	636,215	93,785	x
Prange Drive	135,000	134,214	786	
Sagamore Parkway Reconstruction	50,360	50,360	-	
Rome Drive Land	40,000	1,928	38,072	x
Utility Service Area 21	8,500,000	567,373	7,932,627	x
Solar Power WWTP	4,000,000	118,149	3,881,851	x
Durkee's Run CSO	40,000,000	35,654,911	4,345,089	x
Stormwater Equip Storage Building	970,200	921,368	48,832	x
Primary Tank Rebuild	200,000	104,692	95,308	
Co-Generation	100,000	20,870	79,130	
Phosphrous	3,047,600	2,519,066	528,534	x
Elmwood & 27th Street	2,757,500	2,244,505	512,995	x
Greenbush Sewer Repair	3,899,800	2,315,206	1,584,594	x
Rostone Circle Drainage	151,248	151,248	-	
North 9th Wetland Mitigation	37,950	26,400	11,550	x
Tyler Technologies	800,000	683,005	116,995	x
New Wellfield Investigation	800,000	768,407	31,593	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	368,195	1,805	x
Meter Change Out	2,600,000	2,574,639	25,361	x
Cathodic Protection Glick Wells	50,000	47,661	2,339	
Glick Well Repairs	45,000	44,348	652	
New Flow Meters-Canal, Glick, Park	52,000	51,505	495	
Total Enterprise Funds	73,708,514	50,563,471	23,145,043	
Grand Total for CWIP	\$ 129,992,598	\$ 88,035,790	\$ 41,956,808	

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Interfund Balances and Activities

1. Interfund Services Provided/Used

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

<u>Interfund Services Used</u>	<u>Interfund Services Provided</u>				
	<u>General</u>	<u>Water</u>	<u>Wastewater</u>	<u>Internal Service</u>	<u>Total</u>
Governmental:					
General	\$ -	\$ -	\$ -	\$ 174,369	\$ 174,369
Motor Vehicle Highway	-	-	-	117,485	117,485
EDIT	-	-	-	638	638
Non-major governmental	-	-	-	17,870	17,870
Proprietary:					
Water	-	-	-	28,715	28,715
Wastewater	-	-	-	49,219	49,219
Other Enterprise	-	-	-	566	566
Internal Service	-	-	-	352	352
				-	-
Total	\$ -	\$ -	\$ -	\$ 389,213	\$ 389,213

Interfund services provided/used 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 purchases or constructs the asset to the fund that will maintain the asset in accordance with statutes or budgetary authorizations.

E. Leases

1. Operating Leases

The City has no operating leases at year end.

2. Capital Leases

The City has entered into a capital lease for recycling toters.

Future minimum lease payments under the capital lease at year end are as follows:

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Government <u>Activities</u>	Business-type <u>Activities</u>
2012	\$ 414,867	\$ -
2013	357,583	-
2014	357,584	-
2015	174,575	-
2016	-	-
2017-2021	-	-
	<hr/>	<hr/>
Total minimum lease payments	1,304,609	-
Less amount representing interest	<u>79,806</u>	<u>-</u>
Present value of net minimum lease payments	<u>\$ 1,224,803</u>	<u>\$ -</u>

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

	<u>Governmental Activities</u>
Equipment	\$ 1,312,888
Accumulated depreciation	<u>-</u>
Total	<u>\$ 1,312,888</u>

F. Short-Term Liabilities

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

G. Long-Term Liabilities

1. General Obligation Bonds

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

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

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

<u>Purpose</u>	<u>Interest Rates</u>	<u>Balance at December 31</u>	<u>Unamortized Premium (Discount)</u>	<u>Amount</u>
Park District Refunding Bonds of 2012	.96% to 2.0%	<u>\$ 3,190,000</u>	<u>\$ 1,212</u>	<u>\$ 3,191,212</u>

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

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Governmental Activities	
	Principal	Interest
2016	\$ 895,000	\$ 37,380
2017	910,000	26,374
2018	920,000	15,248
2019	465,000	4,312
Totals	\$ 3,190,000	\$ 83,314

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%	22,875,000	(607,194)	22,267,806
Water pollution control revenue bonds of 2008	3.5% to 4%	3,185,000	(43,674)	3,141,326
Water pollution control revenue bonds of 2013	3.0% to 3.25%	20,655,000	455,562	21,110,562
Water pollution control refunding revenue bonds of 2013	3.0% to 3.25%	47,410,000	5,785,758	53,195,758
Water pollution control revenue bonds of 2014	2.0% to 3.75%	9,895,000	135,431	10,030,431
Total		\$ 104,020,000	\$ 5,725,883	\$ 109,745,883

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

	Business-Type Activities	
	Principal	Interest
2016	\$ 4,140,000	\$ 2,461,889
2017	7,100,000	3,757,759
2018	7,350,000	3,506,441
2019	7,610,000	3,235,442
2020	7,905,000	2,927,751
2021-2025	44,815,000	9,349,410
2026-2030	17,265,000	2,339,978
2031-2035	7,835,000	600,106
Totals	\$ 104,020,000	\$ 28,178,776

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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/Trecee 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 Twyckenham 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 2014 Redevelopment Authority lease rental bonds.

The City has pledged a portion of the Consolidated Creasy/Central Tax Increment revenue for the repayment of the \$4,420,000 Economic Development Subordinate Tax Increment Revenue Bonds of 2015.

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%	\$ 255,000	\$ (2,326)	\$ 252,674
Economic Development lease rental refunding bonds series 2010 B	2.0% to 4.0%	1,755,000	(3,491)	1,751,509
Economic Development lease rental refunding bonds series 2010 C	2.0% to 3.2%	4,855,000	(33,283)	4,821,717
Redevelopment Authority lease revenue refunding bond series 2010 A	2.0% to 3.5%	1,445,000	(9,266)	1,435,734
Redevelopment Authority lease revenue refunding bond series 2010 B	2.0% to 3.25%	1,865,000	20,702	1,885,702
Redevelopment Authority lease revenue refunding bond series 2010 C	2.0% to 4.0%	3,835,000	57,135	3,892,135
Redevelopment Authority lease revenue refunding bond series 2013 A	1.75%	3,435,000	17,068	3,452,068
Redevelopment Authority lease revenue refunding bond series 2013 B	2.0%	4,690,000	(44,660)	4,645,340
Redevelopment District refunding bonds of 2012	1.64%	2,405,000	-	2,405,000
Economic Development revenue bond series 2013 (LUEA)	2.0% to 3.0%	500,000	-	500,000
Redevelopment Authority Lease Rental Bonds of 2014	3.0% to 3.75%	16,160,000	60,692	16,220,692
Redevelopment District Bonds, Series 2014	3.0% to 4.0%	5,185,000	73,895	5,258,895
Economic Development revenue bond series 2015	3.8%	<u>4,420,000</u>	<u>-</u>	<u>4,420,000</u>
Total		<u>\$ 50,805,000</u>	<u>\$ 136,466</u>	<u>\$ 50,941,466</u>

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

	Governmental Activities	
	Principal	Interest
2016	\$ 6,160,000	\$ 1,441,131
2017	5,325,000	1,349,716
2018	3,495,000	1,224,675
2019	3,365,000	1,125,500
2020	2,885,000	1,023,876
2021-2025	8,900,000	4,216,894
2026-2030	7,255,000	3,086,419
2031-2035	7,780,000	1,813,890
2036-2039	5,640,000	483,756
Totals	\$ 50,805,000	\$ 15,765,857

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 \$1,195,000.

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 \$2,415,000.

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

	Business-Type Activities	
	Principal	Interest
2016	\$ 819,000	\$ 112,865
2017	871,000	90,447
2018	924,000	64,613
2019	71,000	35,422
2020	74,000	32,816
2021-2025	412,000	121,596
2026-2030	439,000	40,687
Totals	\$ 3,610,000	\$ 498,446

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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
2016	\$ 309,352	\$ 10,407
2017	<u>158,232</u>	<u>4,019</u>
Totals	<u>\$ 467,584</u>	<u>\$ 14,426</u>

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 2015 there were no refunding issues performed by the City and as a result no defeased debt.

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

8. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2015, was as follows:

Primary government	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 4,075,000	\$ -	\$ 885,000	\$ 3,190,000	\$ 895,000
Bond discount	(1,515)	-	(303)	(1,212)	-
Total general obligation bonds payable	4,076,515	-	885,303	3,191,212	895,000
Revenue bonds	52,615,000	4,420,000	6,230,000	50,805,000	6,160,000
Bond discount	(162,221)	-	(25,755)	(136,466)	-
Total revenue bonds payable	52,777,221	4,420,000	6,255,755	50,941,466	6,160,000
Notes payable	852,992	-	385,408	467,584	309,352
Capital leases	169,606	1,312,888	169,606	1,312,888	110,719
Other postemployee benefit obligations	834,109	302,611	-	1,136,720	-
Net pension liabilities	56,189,844	8,094,779	-	64,284,623	-
Total governmental activities long-term liabilities	<u>\$ 114,900,287</u>	<u>\$ 14,130,278</u>	<u>\$ 7,696,072</u>	<u>\$ 121,334,493</u>	<u>\$ 7,475,071</u>
Business-type activities:					
Revenue bonds payable:					
Wastewater Utility	\$ 110,810,000	\$ -	\$ 6,790,000	\$ 104,020,000	\$ 4,140,000
Bond premium	6,219,212	-	493,329	5,725,883	-
Total revenue bonds payable	117,029,212	-	7,283,329	109,745,883	4,140,000
Loans payable	3,757,000	-	147,000	3,610,000	819,000
Other postemployee benefit obligations	1,668,219	605,222	-	2,273,441	-
Net pension liabilities	-	4,961,316	-	4,961,316	-
Total business-type activities long-term liabilities	<u>\$ 122,454,431</u>	<u>\$ 5,566,538</u>	<u>\$ 7,430,329</u>	<u>\$ 120,590,640</u>	<u>\$ 4,959,000</u>

9. Contingent Receivable – Forgivable Loans

The City has contingent receivables resulting from rehabilitation and improvement loans made through various Community Development Block Grant and Home Investment Partnership Programs. The loans become receivable only if recipients do not meet occupancy or other requirements. Loans balances are systematically "forgiven" (reduced without cash payment) each year the recipient meets the requirements. The receivable is contingent upon the recipient not meeting the requirements and the amount of the receivable is not known until that time. The following schedule shows the changes in this contingent receivable for 2015:

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Beginning balance, January 1	\$ 5,714,828
New loans	1,001,172
Amounts forgiven	(975,241)
Principle amount paid on loans	<u>(43,000)</u>
Ending balance, December 31	<u>\$ 5,697,759</u>

10. Restricted Assets

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

Donor Designated Use

A special donation designated for a specific project that will be constructed in 2016 and or beyond.

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:

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Asset Type/Account	Governmental Funds						Total
	Parks and Recreation	TIF Alloc McCarty	Redevelopment Authority	TIF Alloc Twyckenham	TIF Alloc entral	Consolidat	
Donor designated use	\$ 12,553	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,553
Intergovernmental cash account	-	3,242,016	-	-	-	-	3,242,016
Debt service reserve	-	-	1,253,240	447,488	337,585	-	2,038,313
Total restricted assets	\$ 12,553	\$ 3,242,016	\$ 1,253,240	\$ 447,488	\$ 337,585	\$ -	\$ 5,292,882

Asset Type/Account	Enterprise Funds			Total
	Water Utility	Wastewater Utility	Community Dev Blk Grant	
Customer deposits	\$ 140,427	\$ -	\$ -	\$ 140,427
Debt service reserve	-	5,579,844	2,614,731	8,194,575
Total restricted assets	\$ 140,427	\$ 5,579,844	\$ 2,614,731	\$ 8,335,002

H. Change in Accounting

Over the past two years the City has adopted GASB Statement Numbers 67 and 68, Accounting and Financial Reporting for Pension Plans. This statements 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.

I. Reporting Change – Prior Period Adjustment

The financial statements for the year ended December 31, 2014 have been restated in order to adopt GASB Statement No. 68. The effect of these new standards was a decrease in net position to record the net pension liability at December 31, 2014.

As a result of implementing these statements, the beginning net position of the governmental activities has been restated as indicated:

	Governmental Activities	Business-Type Activities
Net Position – December 31, 2014 – As previously reported	\$ 191,624,014	\$158,370,186
Adjustment for implementation of GASB Statement No. 68	<u>(42,102,387)</u>	<u>(3,075,935)</u>
Net Position – December 31, 2014 – As restated	<u>\$ 149,521,627</u>	<u>\$155,294,251</u>

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

IV. Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; 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, Dental and Vision 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 35 member governmental entities. The purpose of the risk pool is to provide a medium for the funding and administration of medical, dental and vision 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, dental and vision 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:

	2014	2015
Unpaid claims, beginning of fiscal year	\$ -	\$ -
Incurred claims and changes in estimates	326,516	314,094
Claim payments	(326,516)	(314,094)
Unpaid claims, end of fiscal year	\$ -	\$ -

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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:

	2014	2015
Unpaid claims, beginning of fiscal year	\$ -	\$ -
Incurred claims and changes in estimates	6,087	480
Claim payments	(6,087)	(480)
Unpaid claims, end of fiscal year	\$ -	\$ -

B. Related Party Transactions

During the period in which financial the statements are presented, the City had material transactions with Gary Henriott, Board of Works member in relation to the following types of insurance coverage: Business Auto, General Liability, Umbrella, Inland Marine, Professional Liability and Commercial Property. The 2015 premiums for the insurance coverages were \$648,122.00. 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, Human Resources, 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 for General Ledger, Payroll and Human Resources was completed in 2015. Implementation for Utility Billing is expected October 1, 2016. Inventory and Fleet Maintenance are scheduled to be completed in 2017.

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 2016 to update the technology in the garage itself.

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Utility Projects:

Brown Street Sewer, Phase I and II

The proposed sewer, which is required under the approved CSO Long Term Control Plan is needed to store and convey wet weather flows to the Pearl River Lift Station. Phase I of the Brown Street Sewer project connects a previously completed section of combined sewer in Greenbush Street to a previously completed section of sewer upstream at N 27th St and Elmwood Ave and a previously completed sewer downstream in Erie Street which will be connected to the Brown Street interceptor by the Phase II project. The proposed Phase II of the Brown Street Sewer project is located on the northwest side of Lafayette approximately 1,000 feet north of Main Street. It will extend from a point just south of the intersection of Erie Street and Union Street and continue southwest along Erie Street, then northwesterly to a point near the intersection of Brown Street and 13th Street, then along Brown Street to a point just west of the intersection of Brown Street and 3rd Street.

Phase II of the Brown Street Sewer project includes approximately 4,230 linear feet of 72 inch diameter gravity sewer, approximately 390 linear feet of 84 inch gravity sewer, and approximately 25 linear feet of 96 inch gravity sewer. The design will include green infrastructure features to reduce the potential for sewer surcharging and reduce the overall storm water loading to the City's CSO system. Additionally, a new backflow preventer will be installed at the existing CSO 002 outfall structure to prevent backflow from the Wabash River entering the City's sewer collection system. The construction will also include modifications to the existing CSO 002 headwall structure to accommodate the backflow preventer.

Greenbush CSO Storage Tank

The City of Lafayette's approved Combined Sewer Overflow Long Term Control Plan (CSO LTCP) requires full treatment of wastewater flows and a level of control of no more than four (4) CSO overflows during a typical year. To achieve this level of control, the recommended plan was divided into four sub-phases (Phase II-A, II-B, II-C and II-D). As a component of Phase II-B, the City is required to plan, design, construct, and place into operation a 4.2 million gallon (MG) CSO storage tank in the area near the existing CSO 001 diversion structure by the year 2020. The Greenbush CSO Storage Tank is required to store and convey wet weather flow to the Lafayette Waste Water Treatment Plant (WWTP) when the WWTP has capacity thereby improving the water quality in the Wabash River.

The Greenbush CSO Storage Tank project includes a 4.2 MG covered below grade storage tank, a building to house electrical and SCADA components, pumps and related equipment for tank dewatering in compliance with IDEM standards, a screening, and backflow prevention at a newly constructed CSO 001 outfall from the proposed 4.2 MG storage tank. Additional project components include yard piping, site work (including grading), and SCADA integration.

The City will issue sewage works revenue bonds in one or more series, in the amount not to exceed Fifty-Seven Million Dollars (\$57,000,000) to provide funding necessary to pay for a portion of the utility project costs. The utility projects are expected to be completed in 2019.

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

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

Debt Refinancing:

On October 5, 2016 the City refunded the Sewage Works Refunding Revenue Bonds of 2006 to obtain a reduction in debt service payments and provide a net savings to the City. The 2006 Bonds principal amount refunded was \$21,805,000. The net present value of savings to the City was \$2,034,940.

The 2016 Bonds were purchased by Piper Jaffray & Co. (the "Underwriter"). The bond purchase agreement provides that the underwriter will purchase all of the 2016 Bonds for an amount equal to \$21,940,526.70 (which is the par amount less \$97,440.00 Underwriter's discount plus \$3,477,966.70 net original issue premium).

D. Conduit Debt Obligation

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

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

E. 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, 2015, the Southeast Industrial TIF Fund had \$836,976 held for these capital projects.

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, 2015, the TIF County's South East Fund had \$3,242,016 held for these capital projects.

F. 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, 116 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, 2015, expenditures of \$300 for policemen, \$2,500 for firemen, and \$400 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:

	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
Annual required contribution	\$ 367,292	\$ 745,715	\$ 1,113,007
Interest to end of year	37,160	75,445	112,605
Adjustment to annual required contribution	<u>(32,171)</u>	<u>(74,486)</u>	<u>(106,657)</u>
Annual OPEB cost	372,281	746,674	1,118,955
Estimated annual employer contribution for pay-go cost	<u>(69,670)</u>	<u>(141,452)</u>	<u>(211,122)</u>
Increase (decrease) in OPEB costs	302,611	605,222	907,833
Net OPEB obligation, beginning of year	<u>834,109</u>	<u>1,668,219</u>	<u>2,502,328</u>
Net OPEB obligation, end of year	<u>\$ 1,136,720</u>	<u>\$ 2,273,441</u>	<u>\$ 3,410,161</u>

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 2015 is shown in the following table:

	<u>Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
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
	12-31-2015	1,118,955	18.9%	3,410,162

Funding Status and Funding Progress

As of December 31, 2015, 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.

G. Pension Plans

1. Cost Sharing Multiple-Employer Defined Benefit Pension Plans

a. Public Employees' Retirement Fund

Plan Description

The primary government contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan administered by the Indiana Public Employee Retirement System (INPRS). 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 INPRS, most requirements of the system and give the City authority to contribute to the plan.

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
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Benefits Provided

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. 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).

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

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

Contributions

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, 2015, 2014, and 2013 were \$1,718,124, \$1,632,488 and \$1,247,947, respectively, which were equal to the required contributions for each year.

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	2.50% to 4.25% including inflation
Investment rate of return	6.75% net of pension plan investment expense, including inflation
Mortality rates	RP-2014 Total Data Set Mortality tables 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

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
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The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the four years ended June 30, 2014. The Study was performed in April 2015. As a result of the study inflation decreased from 3.00% to 2.25%, future salary rates decreased from a table range of 3.25% to 4.50% to a table ranging from 2.50% to 4.25%. The mortality rates changed from the 2013 IRS Static Mortality projected five years with Scale AA to the process referenced above. Each of these assumption changes were made to more closely reflect actual experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of June 30, 2015 for each major asset class are summarized in the following table.

<u>Global Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public equity	22.5%	5.3%
Private equity	10.0%	5.6%
Fixed income - Ex inflation - linked	22.0%	2.1%
Fixed income - inflation - linked	10.0%	0.7%
Commodities	8.0%	2.0%
Real estate	7.5%	3.0%
Absolute return	10.0%	3.9%
Risk parity	10.0%	5.0%

Discount Rate

Total pension liability for each defined benefit pension plan was calculated using the discount rate of 6.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and where applicable from the members, would at the minimum be made at the actuarially determined required rates computed in accordance with the current funding policy adopted by the INPRS Board, and contributions required by the State (the non-employer contributing entity) would be made as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (6.75 percent). Based on those assumptions, each defined benefit pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members; therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability for each plan.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability of each defined benefit pension plan calculated using the discount rate of 6.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%), or one percentage point higher (7.75%) than the current rate:

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

	1% Decrease	Current Rate	1% Increase
	(5.75%)	(6.75%)	(7.75%)
2015	\$19,258,859	\$13,056,095	\$7,906,668

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a stand-alone financial report of INPRS that includes financial statements and required supplementary information for the plan as a whole. This report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling (888) 526-1687, by emailing questions@inprs.in.gov, or by visiting www.in.gov/inprs.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

At December 31, 2015, the City reported a liability of \$13,056,095 for its proportionate share of the net pension liability. The City's proportionate share of the net pension liability was based on the City's wages as a proportion of total wages for the PERF Plan. The proportionate share used at the June 30, 2015 measurement date was 0.0032056 percent.

For the year ended December 31, 2015, the City recognized pension expense of \$2,250,146, which included net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to the PERF Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 560,428	\$ 27,001
Net difference between projected and actual earnings on pension plan investments	2,201,420	1,227,877
Changes in assumptions	1,103,679	-
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>495,069</u>	<u>38,402</u>
Total	<u>\$ 4,360,596</u>	<u>\$1,293,280</u>

Deferred outflows of resources resulting from employer contributions subsequent to the June 30, 2015 measurement date are recognized as a reduction of net pension liability in the year ending December 31, 2016. Deferred inflows of resources resulting from the differences between projected and actual investment earnings on Plan investments are amortized over a 5 year period. A change in an employer's proportionate share: represents the change as of the current year measurement date versus the prior year measurement date, and is

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

amortized over the average expected remaining service lives of the plan. The difference between an employer's contributions and the employer's proportionate share of the collective contributions is amortized over the average expected remaining service lives of the plan. Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending December 31,	Amount
2016	\$1,014,161
2017	1,014,161
2018	488,640
2019	<u>550,354</u>
Total	<u>\$3,067,316</u>

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
www.inprs.in.gov

Contributions

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.

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Benefits Provided

A member vests after 20 years of service. If the member retires at or after the age of 52 with 20 years of service, the benefit is equal to 50 percent of the salary of a first class officer, as reported by the employer in the year the 1977 Fund member ended service plus one (1) percent of that salary for each six (6) months of active service over 20 years to a maximum of 12 years. At age 50 and with 20 years of service, a member may elect to receive a reduced benefit by a factor established by the fund's actuary (IC 36-8-8-11).

The monthly pension benefits for members in pay status may be increased annually in accordance with the cost of living adjustment (COLA) statute (IC 36-8-8-15). A member is entitled to an annual increase in the member's benefit based on the percentage increase in the Consumer Price Index (January- March); however, the maximum increase is 3.0 percent. There was a COLA increase of 1.4 percent effective July 1, 2014. The plan is closed to new entrants.

Significant Actuarial Assumptions

The actuarial assumptions used in the June 30, 2015 valuations were adopted by the Board pursuant to the experience studies completed in April 2015, which reflected the experience period from July 1, 2010 through June 30, 2014. The June 30, 2015 valuations incorporate member census data as of June 30, 2014, adjusted for certain activity during fiscal year 2015. Standard actuarial techniques were used to roll forward valuation results over one year.

The actuarial assumptions and methods are summarized in the Actuarial Assumptions and Methods section of each valuation report. We believe the actuarial assumptions and methods are reasonable for the purposes of the valuation reports and comply with the parameters set forth in Statements No. 67 and No. 68 of the Governmental Accounting Standards Board ("GASB"). Different assumptions and methods may be reasonable for other purposes. As such, the results presented in the valuation reports should only be relied upon for the intended purpose.

Difference between expected and actual experience: the actuaries use assumptions such as future salary increases and inflation to develop what they expect to be the experience of the pension plan. Each year the difference between the expected experience and the actual experience is amortized over the average expected remaining service lives of the plan.

Net difference between projected and actual investment earnings: the actuaries use the pension plan's expected long term rate of return to project investment earnings net of investment expenses. The difference between the expected and the actual investment earnings is deferred and amortized over five years.

Changes in assumptions: an assumption study was performed in April 2015 resulting in an update to the following assumptions:

- Inflation decreased from 3.00% to 2.25%
- The future salary increase rate decreased from 3.25% to 2.50% per year
- Future COLA decreased from 2.25% to 2.00% per year

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

- Mortality changed from the 2013 IRS Static Mortality projected five (5) years with Scale AA to the RP-2014(with MP-2014 improvement removed) Blue Collar mortality tables, with future mortality improvement projected generationally using future mortality improvement inherent in the Social Security Administration's 2014 Trustee report
- Disability and Termination rates were adjusted to reflect recent experience

A change in an employer's proportionate share: represents the change as of the current year measurement date versus the prior year measurement date, and is amortized over the average expected remaining service lives of the plan.

The difference between an employer's contributions and the employer's proportionate share of the collective contributions is amortized over the average expected remaining service lives of the plan.

Discount Rate

Total pension liability for each defined benefit pension plan was calculated using the discount rate of 6.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and where applicable from the members, would at the minimum be made at the actuarially determined required rates computed in accordance with the current funding policy adopted by the INPRS Board, and contributions required by the State (the non-employer contributing entity) would be made as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (6.75 percent). Based on those assumptions, each defined benefit pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members; therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability for each plan.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability of each defined benefit pension plan calculated using the discount rate of 6.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%), or one percentage point higher (7.75%) than the current rate:

1977 Police Officers:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
	(5.75%)	(6.75%)	(7.75%)
2015	\$ 6,147,449	(\$1,460,671)	(\$7,595,251)

1977 Firefighters:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
	(5.75%)	(6.75%)	(7.75%)
2015	\$ 6,257,366	(\$1,486,788)	(\$7,731,055)

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a stand-alone financial report of INPRS that includes financial statements and required supplementary information for the plan as a whole. This report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling (888) 526-1687, by emailing questions@inprs.in.gov, or by visiting www.in.gov/inprs.

1977 Police Officers' Pension and Disability Fund:

The primary government's contributions to the plan for the year ended December 31, 2015 were \$1,452,580 equal to the required contributions for each year.

Pension Liabilities (Assets), Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

At December 31, 2015, the City reported an asset of \$1,460,671 for its proportionate share of the net pension asset. The City's proportionate share of the net pension asset was based on the City's wages as a proportion of total wages for the Plan. The proportionate share used at the June 30, 2015 measurement date was 0.0098881 percent.

For the year ended December 31, 2015, the City recognized pension expense of \$398,313, which included net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to the 1977 Police Officers' Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	\$ 635,244
Net difference between projected and actual earnings on pension plan investments	2,850,876	1,519,941
Changes in assumptions	0	2,734,306
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>14,147</u>	<u>23,136</u>
Total	<u>\$ 2,865,023</u>	<u>\$ 4,909,627</u>

1977 Firefighters' Pension and Disability Fund:

The primary government's contributions to the plan for the year ended December 31, 2015 were \$1,478,553 equal to the required contributions for each year.

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Pension Liabilities (Assets), Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

At December 31, 2015, the City reported an asset of \$1,486,788 for its proportionate share of the net pension asset. The City's proportionate share of the net pension asset was based on the City's wages as a proportion of total wages for the Plan. The proportionate share used at the June 30, 2015 measurement date was 0.0100649 percent.

For the year ended December 31, 2015, the City recognized pension expense of \$403,218, which included net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to the 1977 Firefighters' Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	\$ 646,602
Net difference between projected and actual earnings on pension plan investments	2,901,849	1,547,118
Changes in assumptions	0	2,783,196
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>4,493</u>	<u>28,263</u>
Total	<u>\$ 2,906,342</u>	<u>\$ 5,005,179</u>

Deferred outflows of resources resulting from employer contributions subsequent to the June 30, 2015 measurement date are recognized as a reduction of net pension liability in the year ending December 31, 2016. Deferred inflows of resources resulting from the differences between projected and actual investment earnings on Plan investments are amortized over an 8 year period. A change in an employer's proportionate share: represents the change as of the current year measurement date versus the prior year measurement date, and is amortized over the average expected remaining service lives of the plan. The difference between an employer's contributions and the employer's proportionate share of the collective contributions is amortized over the average expected remaining service lives of the plan. Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>1977 Police</u>	<u>1977 Fire</u>
2016	(\$202,005)	(\$207,835)
2017	(202,005)	(207,835)
2018	(202,005)	(207,835)
2019	304,642	307,871
2020	(408,077)	(417,592)
Thereafter	<u>(1,335,154)</u>	<u>(1,365,611)</u>
Total	<u>\$2,044,604</u>	<u>\$2,098,837</u>

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Single-Employer Defined Benefit Pension Plans

a. 1925 Police Officers' Pension Plan

Plan Description

The primary government contributes to the 1925 Police Officers' Pension Plan which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (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.

Plan Membership

Plan membership at December 31, 2015, consisted of the following:

	1925 Police Officers' Pension
Retired Members, beneficiaries and disabled members receiving benefits:	49
Terminated employees entitled to but not yet receiving benefits:	-
Active Plan Members:	-
Total Membership	49

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.

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Net Pension Liability

The components of the Net Pension Liability for the 1925 Police Officers' Pension Plan as of December 31, 2015, are as follows:

- Total Pension Liability	\$	21,160,018
- Plan Fiduciary Net Position		<u>(965,967)</u>
- Net Pension Liability		<u>20,194,051</u>
- Plan Fiduciary Net Position as a percentage of Total Pension Liability		4.57%

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, 2015	
Valuation Date	Not applicable. Benefits are paid on a pay-as-you-go basis.	
Assets:	Not applicable. Benefits are paid on a pay-as-you-go basis.	
Liabilities:	December 31, 2014 - Member census data as of December 31, 2014 was used in the valuation. Standard actuarial techniques were then used to roll forward the total pension liability computed as of December 31, 2014 to the December 31, 2015 measurement date. Projected benefit payments, rather than actual benefit payments, were used in the roll forward due to fluctuation in actual benefit payments caused by DROP payments and lump sum death benefits.	
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 Blue Collar 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.	

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Experience Study	The actuarial assumptions used in the December 31, 2015 valuation were selected and approved by the INPRS Board of Trustees and are consistent with the results of an experience study completed in April 2016, which reflects the experience period beginning July 1, 2010 and ending June 30, 2014. Assumption recommendations from the study were first implemented for the December 31, 2014 valuation and are generally unchanged for the December 31, 2015 valuation. The interest rate continues to equal the Barclay's 20-year Municipal Bond Index rate as of the measurement date, which increased from 2.56% as of December 31, 2014 to 2.59% as of December 31, 2015.						
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 2.59% as of December 31, 2015.						
Discount Rate Sensitivity	The following represents the net pension liability of the City, calculated using the discount rate of 2.59%, 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 (1.59 percent) or 1-percentage point higher (3.59 percent) than the current rate.						
Net Pension Liability	<table border="0" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;"><u>1% Decrease (1.59%)</u></td> <td style="text-align: center;"><u>Current Rate (2.59%)</u></td> <td style="text-align: center;"><u>1% Increase (3.59%)</u></td> </tr> <tr> <td style="text-align: center;">\$ 22,445,228</td> <td style="text-align: center;">\$ 20,194,051</td> <td style="text-align: center;">\$ 18,283,035</td> </tr> </table>	<u>1% Decrease (1.59%)</u>	<u>Current Rate (2.59%)</u>	<u>1% Increase (3.59%)</u>	\$ 22,445,228	\$ 20,194,051	\$ 18,283,035
<u>1% Decrease (1.59%)</u>	<u>Current Rate (2.59%)</u>	<u>1% Increase (3.59%)</u>					
\$ 22,445,228	\$ 20,194,051	\$ 18,283,035					

b. 1937 Firefighters' Pension Plan

Plan Description

The primary government contributes to the 1937 Firefighters' Pension Plan which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (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.

Plan Membership

Plan membership at December 31, 2015, consisted of the following:

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

	1937 Firefighters' Pension
Retired Members, beneficiaries and disabled members receiving benefits:	80
Terminated employees entitled to but not yet receiving benefits:	-
Active Plan Members:	-
Total Membership	80

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.

The components of the Net Pension Liability for the 1937 Firefighters' Pension Plan as of December 31, 2015, are as follows:

- Total Pension Liability	\$ 35,029,826
- Plan Fiduciary Net Position	<u>(997,856)</u>
- Net Pension Liability	<u>34,031,970</u>
- Plan Fiduciary Net Position as a percentage of Total Pension Liability	2.85%

Actuarial Assumptions

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

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Measurement Date	December 31, 2015	
Valuation Date		
Assets:	Not applicable. Benefits are paid on a pay-as-you-go basis.	
Liabilities:	December 31, 2014 - Member census data as of December 31, 2014 was used in the valuation. Standard actuarial techniques were then used to roll forward the total pension liability computed as of December 31, 2014 to the December 31, 2015 measurement date. Projected benefit payments, rather than actual benefit payments, were used in the roll forward due to fluctuation in actual benefit payments caused by DROP payments and lump sum death benefits.	
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 Blue Collar 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, 2015 valuation were selected and approved by the INPRS Board of Trustees and are consistent with the results of an experience study completed in April 2016, which reflects the experience period beginning July 1, 2010 and ending June 30, 2014. Assumption recommendations from the study were first implemented for the December 31, 2014 valuation and are generally unchanged for the December 31, 2015 valuation. The interest rate continues to equal the Barclay's 20-year Municipal Bond Index rate as of the measurement date, which increased from 2.56% as of December 31, 2014 to 2.59% as of December 31, 2015.	
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 2.59% as of December 31, 2015	
Discount Rate Sensitivity	The following represents the net pension liability of the City, calculated using the discount rate of 2.59%, 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 (1.59 percent) or 1-percentage point higher (3.59 percent) than the current rate.	

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

	<u>1% Decrease (1.59%)</u>	<u>Current Rate (2.59%)</u>	<u>1% Increase (3.59%)</u>
Net Pension Liability	\$ 37,783,672	\$ 34,031,970	\$ 30,858,297

	1925 Police Officers Pension	1937 Firefighters' Pension
<u>Actuarial Methods</u>		
Contribution rates:		
Government	0%	0%
Plan members	0%	0%
Actuarial valuation date	01-01-2015	01-01-2015
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
<u>Actuarial Assumptions</u>		
Investment rate of return (Net of Expenses)	2.59%	2.59%
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

H. Upcoming Accounting Pronouncements

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.

In June 2015, the GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the City to recognize on the face of the financial statements its net OPEB liability related to the City's postemployment health insurance benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental 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 the City's financial statements for the year ending December 31, 2018.

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

In June 2015, the GASB issued Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement is intended to improve financial reporting for governments by establishing a framework for the evaluation of accounting guidance that will result in governments applying that guidance with less variation. That will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. The Statement also is intended to improve implementation guidance by elevating its authoritative status to a level that requires it be exposed for a period of broad public comment prior to issuance, as is done for other GASB pronouncements. This Statement is effective for the City's fiscal year ending December 31, 2016. This will have no impact on the presentation of the financial statements.

In August 2015, the GASB issued Statement 77, *Tax Abatement Disclosures*. This Statement is intended to improve financial reporting by requiring disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. This Statement is effective for the City's fiscal year ending December 31, 2016. Management has not determined what impact, if any, this statement will have on its financial statements.

In December 2015, the GASB issued Statement 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local government employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employees through a cost – sharing multiple-employer defined benefit pension plan that is not a state or local governmental pension plan, is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pension through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. This Statement is effective for the City's fiscal year ending December 31, 2016. Management has not determined what impact, if any, this statement will have on its financial statements.

In December 2015, the GASB issued Statement 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. This Statement is effective for the City's fiscal year ending December 31, 2016. Management has not determined what impact, if any, this statement will have on its financial statements.

CITY OF LAFAYETTE
NOTES TO FINANCIAL STATEMENTS
(Continued)

In December 2015, the GASB issued Statement 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. This Statement is effective for the City's fiscal year ending December 31, 2017. Management has not determined what impact, if any, this statement will have on its financial statements. The City has not finalized its determination of the effect that the implementation of these new accounting standards will have on the City's financial statements or disclosures, as of the date of this report.

City of Lafayette
 Required Supplemental Information
 1977 Firefighters' Pension and Disability Fund
 Schedule of City Contributions
 Fiscal Year Ending December 31, 2015

	2015
Contractually required contributions	\$ 1,478,553
Contributions in relation to the Contractually required contribution	\$ 1,478,553
Contribution Deficiency (Excess)	\$ -
Covered Employee Payroll	\$ 7,505,416
Contributions as a Percentage of Covered Employee Payroll	19.7%

City of Lafayette
 Required Supplemental Information
 1977 Firefighters' Pension and Disability Fund
 Schedule of the City's Proportionate Share of the Net Pension Liability

	2015
City's proportion of the net pension liability (asset)	0.0100649%
City's proportionate share of the net pension liability (asset)	\$ (1,486,788)
City's covered employee payroll	\$ 7,505,416
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	-19.81%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	103.2%

City of Lafayette
 Required Supplemental Information
 1977 Police Officers' Pension and Disability Fund
 Schedule of City Contributions
 Fiscal Year Ending December 31, 2015

	2015
Contractually required contributions	\$ 1,452,580
Contributions in relation to the Contractually required contribution	\$ 1,452,580
Contribution Deficiency (Excess)	\$ -
Covered Employee Payroll	\$ 7,373,572
Contributions as a Percentage of Covered Employee Payroll	19.7%

City of Lafayette
 Required Supplemental Information
 1977 Police Officers' Pension and Disability Fund
 Schedule of the City's Proportionate Share of the Net Pension Liability

	2015
City's proportion of the net pension liability (asset)	0.98881%
City's proportionate share of the net pension liability (asset)	\$ (1,460,671)
City's covered employee payroll	\$ 7,373,572
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	-19.81%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	103.2%

City of Lafayette
 Required Supplemental Information
 Public Employees' Retirement Fund
 Schedule of City Contributions
 Fiscal Year Ending December 31, 2015

		2015
Contractually required contribution	\$	1,702,637
Contributions in relation to the Contractually required contribution	\$	1,702,637
Contribution Deficiency (Excess)	\$	-
Covered Employee Payroll	\$	15,354,135
Contributions as a Percentage of Covered Employee Payroll		11.2%

City of Lafayette
 Required Supplemental Information
 Public Employees' Retirement Fund
 Schedule of the City's Proportionate Share of the Net Pension Liability

	2015
City's proportion of the net pension liability (asset)	0.32056%
City's proportionate share of the net pension liability (asset)	\$ 13,056,095
City's covered employee payroll	\$ 15,354,135
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	85.0%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	77.3%

City of Lafayette
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Plan Fiduciary Net Position

1925 Police Officers' Pension Plan

Year Ended December 31:	2015	2014
Total Pension Liability		
Total Pension Liability-Beginning of year	\$ 22,049,109	\$ 20,031,949
Interest Cost	552,149	832,716
Experience (gains)/losses	63,768	-
Assumption changes	(62,229)	2,607,220
Projected benefit payments	(1,442,779)	(1,422,776)
Total Pension Liability-End of year	\$ 21,160,018	\$ 22,049,109
Plan Fiduciary Net Position		
Plan Fiduciary Net Position-Beginning of year	\$ 885,875	\$ 947,834
Employer contributions	(81,527)	57,216
Non-employer contributing entity contributions	1,533,290	1,456,071
Actual benefit payments	(1,451,763)	(1,513,287)
Other net changes	80,092	(61,959)
Plan Fiduciary Net Position-End of year	\$ 965,967	\$ 885,875
 Net Pension Liability	 \$ 20,194,051	 \$ 21,163,234

City of Lafayette
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Plan Fiduciary Net Position

1937 Firefighters' Pension Plan

Year Ended December 31:	2015	2014
Total Pension Liability		
Total Pension Liability-Beginning of year	\$ 37,325,772	\$ 33,937,356
Interest Cost	915,917	1,409,480
Experience (gains)/losses	(656,985)	-
Assumption changes	(103,515)	4,448,540
Projected benefit payments	(2,451,363)	(2,469,604)
Total Pension Liability-End of year	<u>\$ 35,029,826</u>	<u>\$ 37,325,772</u>
 Plan Fiduciary Net Position		
Plan Fiduciary Net Position-Beginning of year	\$ 1,013,533	\$ 1,016,455
Employer contributions	8,848	(4,175)
Non-employer contributing entity contributions	2,450,518	2,472,934
Actual benefit payments	(2,459,366)	(2,468,759)
Other net changes	(15,677)	(2,922)
Plan Fiduciary Net Position-End of year	<u>\$ 997,856</u>	<u>\$ 1,013,533</u>
 Net Pension Liability	 <u>\$ 34,031,970</u>	 <u>\$ 36,312,239</u>

City of Lafayette
 Required Supplementary Information
 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
12/31/2015	\$ 21,160,018	\$ 965,967	\$ 20,194,051	4.57%	\$ -	N/A

1925 Police Officers' Pension Plan - Schedule of City Contributions

Year Ending	Statutorily Required Contribution	Actual Employer Contributions	Contribution Excess / (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
12/31/2015	\$ 1,451,763	\$ 1,451,763	\$ -	\$ -	N/A

City of Lafayette
 Required Supplementary Information
 Schedule of Net Pension Liability and Related Ratios

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
12/31/2015	\$ 35,029,826	\$ 997,856	\$ 34,031,970	2.85%	\$ -	N/A

1937 Firefighters' Pension Plan - Schedule of City Contributions

Year Ending	Statutorily Required Contribution	Actual Employer Contributions	Contribution Excess / (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
12/31/2015	\$ 2,459,366	\$ 2,459,366	\$ -	\$ -	N/A

CITY OF LAFAYETTE
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULES
 GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS

For The Year Ended December 31, 2015

	General Fund				Motor Vehicle Fund Major Special Revenue Fund				Variance With Final Budget Favorable (Unfavorable)
	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget	Budgeted Amounts		Actual Budgetary Basis Amounts		
	Original	Final			Original	Final			
Revenues:									
Taxes:									
Property Taxes	\$ 22,578,679	\$ 22,578,679	\$ 22,690,077	\$ 111,398	\$ 2,043,935	\$ 2,043,935	\$ 2,054,084	\$ 10,149	
Licenses and permits	239,500	239,500	476,710	237,210	-	-	-	-	
Intergovernmental	8,553,934	8,553,934	8,886,729	332,795	4,070,208	4,070,208	4,040,386	(29,822)	
Charges for services	85,000	85,000	20,543	(64,457)	26,000	26,000	26,373	373	
Fines and forfeits	100,000	100,000	190,064	90,064	-	-	-	-	
Other	3,120,000	3,120,000	3,519,929	399,929	-	-	193,383	193,383	
TOTAL REVENUES	34,677,113	34,677,113	35,784,052	1,106,939	6,140,143	6,140,143	6,314,226	174,083	
Expenditures:									
Current:									
General government:									
Personal Services	1,531,330	1,531,330	1,473,304	58,026	-	-	-	-	
Supplies	125,195	125,195	211,861	(86,666)	-	-	-	-	
Other Srv & Chrgs	1,222,880	1,222,880	1,208,844	14,036	-	-	-	-	
Capital Outlays	15,000	15,000	5,447	9,553	-	-	-	-	
Total general government	2,894,405	2,894,405	2,899,456	(5,051)	-	-	-	-	
Public safety:									
Personal Services	28,335,485	28,335,485	27,629,764	705,721	-	-	-	-	
Supplies	941,500	941,500	767,935	173,565	-	-	-	-	
Other Srv & Chrgs	353,600	353,600	333,375	20,225	-	-	-	-	
Capital Outlays	101,000	101,000	108,498	(7,498)	-	-	-	-	
Total public safety	29,731,585	29,731,585	28,839,572	892,013	-	-	-	-	
Highways and streets:									
Personal Services	-	-	-	-	3,914,375	3,914,375	3,708,574	205,801	
Supplies	-	-	-	-	619,800	619,800	1,234,829	(615,029)	
Other Srv & Chrgs	-	-	-	-	1,008,000	1,008,000	1,444,026	(436,026)	
Capital Outlays	-	-	-	-	1,009,698	1,118,923	370,198	748,725	
Total highways and streets	-	-	-	-	6,551,873	6,661,098	6,757,627	(96,529)	
Sanitation:									
Personal Services	1,618,750	1,618,750	1,600,427	18,323	-	-	-	-	
Supplies	343,500	343,500	302,359	41,141	-	-	-	-	
Other Srv & Chrgs	8,000	8,000	7,596	404	-	-	-	-	
Capital Outlays	-	-	-	-	-	-	-	-	
Total sanitation	1,970,250	1,970,250	1,910,382	59,868	-	-	-	-	
TOTAL EXPENDITURES	34,596,240	34,596,240	33,649,410	946,830	6,551,873	6,661,098	6,757,627	(96,529)	
Transfer In	-	-	1,626	-	-	-	-	-	
Net change in fund balances	80,873	80,873	2,136,268	160,109	(411,730)	(520,955)	(443,401)	270,612	
Fund balances - January 1	1,633,688	1,543,821	603,525	(940,296)	709,166	182,023	1,425,627	1,243,604	
Fund balances - December 31	\$ 1,714,561	\$ 1,624,694	\$ 2,739,793	\$ 1,115,099	\$ 297,436	\$ (338,932)	\$ 982,226	\$ 1,321,158	

CITY OF LAFAYETTE
NOTE 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
Motor Vehicle 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 AND ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for the Major Federal Program

We have audited the City of Lafayette (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2015. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with Federal statutes, regulations and the terms and conditions of its Federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the 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 its major federal program for the year ended December 31, 2015.

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


Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 a 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

December 21, 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, 2015

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Pass-Through To Subrecipient	Total Federal Awards Expended
Department of Agriculture					
Urban and Community Forestry Program	Lafayette Tree Fund	10.675	E9-15-UTREE8	\$ -	\$ 7,000
Total - Department of Agriculture				-	7,000
Department of Housing and Urban Development					
Community Development Block Grants/Entitlement Grants	Direct Grant	14.218	B12-MC-18008 B13-MC-18008 B14-MC-18008 B15-MC-18008	1,816 16,580 126,277 21,735	2,146 27,619 242,806 53,522
Total - Community Development Block Grants/Entitlement Grants				166,408	326,093
Shelter Plus Care Shelter Plus Care	Indiana Housing and Community Development Authority	14.238	SC013-0146	-	57,681
HOME Investment Partnerships Program HOME Investment Partnerships Program	Direct Grant	14.239	M11-DC-180212 M12-DC-180212 M13-DC-180212 M14-DC-180212 M15-DC-180212	4,587 52,044 116,818 782,868 11,471	4,587 56,626 138,261 842,684 22,821
Total - HOME Investment Partnerships Program				967,788	1,064,979
Continuum of Care Program Continuum of Care Program	Indiana Housing and Community Development Authority	14.267	SC-014-0155-1 SC-015-0155-1	- -	40,155 77,141
Total - Continuum of Care Program				-	117,296
Total - Department of Housing and Urban Development				1,134,196	1,573,049
Department of Justice					
ARRA - Public Safety Partnership and Community Policing Grants COPS Grant	Direct grant	16.710	2013-UM-WX-0170	-	199,685
Total - Department of Justice				-	199,685
Department of Transportation					
Highway Planning and Construction Cluster Highway Planning and Construction Highway Planning and Construction	Indiana Department of Transportation	20.205	A249-11-320860 A249-10-320860 A249-12-320860	- - -	2,059 49,720 151,081
Total - Highway Planning and Construction Cluster				-	202,860
Highway Safety Cluster State and Community Highway Safety State and Community Highway Safety (OPO) Alcohol Impaired Driving Countermeasures Incentive Grants I Alcohol Impaired Driving Countermeasures (FACT)	Indiana Criminal Justice Institute	20.600 20.601	D3-15-8941 D3-14-8132	- -	51,444 32,844
Total - Highway Safety Cluster				-	84,288
Total - Department of Transportation				-	287,148
Department of Health and Human Services					
Assistance Programs for Chronic Disease Prevention and Control	Indiana Department of Health and Human Services	93.945	A70-5-096241	-	20,000
Total - Department of Health and Human Services				-	20,000
Department of Homeland Security					
Emergency Management Performance Grants	Indiana Department of Homeland Security	97.042	EMW-2015-EP-0003	-	1,494
Homeland Security Grant Program		97.067	EMW-2014-SS-00138	-	1,968
Total - Department of Homeland Security				-	3,462
Total federal awards expended				\$ 1,134,196	\$ 2,083,344

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 (SEFA) includes the federal grant activity of the City of Lafayette under programs of the federal government for the year ended December 31, 2015. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the SEFA presents only a select portion of the operations of the City, it is not intended to and does not present the financial position of the City.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. The City has elected not to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.

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?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	no

Identification of Major Program and type of auditor's report issued on compliance:

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
14.239	HOME Investment Partnerships Program	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

No matters are reportable.

Section III - Federal Award Findings and Questioned Costs

No matters are reportable.

AUDITEE-PREPARED SCHEDULE

The subsequent schedule was provided by management of the City. The schedule is presented as intended by the City.



OFFICE OF CONTROLLER

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2014-001 Preparation of the Financial Statements


Fiscal year in which the finding initially occurred: 2014
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:
Contact Person Responsible for Corrective Action: Timothy J. Clary
Contact Phone Number: 765-807-1012

Status of Audit Finding: The Deputy City Controller prepared the financial statements and the notes to the financial statements for the year ended December 31, 2015. The City Controller reviewed the financial statements and the notes to the financial statements for the year ended December 31, 2015.

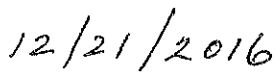
The City of Lafayette Indiana takes the internal control environment very seriously. We plan to have a documented review of the financial statements and the notes to the financial statements continuing into the future.



(Signature)



(Title)



(Date)