

LAFAYETTE PUBLIC POWER AUTHORITY

**A COMPONENT UNIT OF LAFAYETTE
CITY-PARISH CONSOLIDATED GOVERNMENT**

FINANCIAL REPORT

YEARS ENDED OCTOBER 31, 2019 AND 2018

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INDEPENDENT AUDITOR'S REPORT

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The Board of Commissioners
Lafayette Public Power Authority
Lafayette, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Lafayette Public Power Authority, a component unit of Lafayette City-Parish Consolidated Government, as of and for the year ended October 31, 2019 and 2018, and the related notes to the 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 from 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 entity'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lafayette Public Power Authority, as of October 31, 2019 and 2018, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Lafayette Public Power Authority's basic financial statements. The schedule of changes in restricted assets and schedules of operating expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of changes in restricted assets and schedules of operating expenses are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The prior year comparative information on the schedule of changes in restricted assets and schedules of operating expenses has been derived from Lafayette Public Power Authority's 2018 financial statements, which was subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, was fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2020, on our consideration of Lafayette Public Power Authority'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lafayette Public Power Authority's internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
April 24, 2020

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

LAFAYETTE PUBLIC POWER AUTHORITY
Lafayette, Louisiana

Management's Discussion and Analysis
October 31, 2019

Management's discussion and analysis of Lafayette Public Power Authority's (LPPA) financial performance provides an overview of LPPA's financial activities for the fiscal year ended October 31, 2019. It is designed to focus on the current year's activities, resulting changes, and currently known facts. Please read it in conjunction with LPPA's basic financial statements which follow this section.

Lafayette Public Power Authority (LPPA), a component unit of Lafayette City-Parish Consolidated Government (LCG), constitutes a legal entity separate and apart from LCG and was created for the purpose of generating, purchasing and selling electric power to, or exchanging electric power with, the City of Lafayette Utilities System (LUS) and others.

FINANCIAL HIGHLIGHTS

- Assets of LPPA exceeded its liabilities at the close of the most recent fiscal year by \$91.4 million (*net position*). Unrestricted fund net position amounts to \$36.2 million and may be used to meet ongoing operations and obligations. Restricted assets total \$19.5 million which will be used to extinguish debt and fund capital projects.
- Net investment in capital assets of LPPA at the end of the year totaled \$40.2 million.
- Long term debt outstanding decreased by \$4.1 million.

USING THIS ANNUAL REPORT

This report consists of Management's Discussion and Analysis, the basic financial statements, and notes to the financial statements. Management's Discussion and Analysis provides a narrative of LPPA's financial performance and activities for the year ended October 31, 2019. The basic financial statements provide readers with information about LPPA's activities and financial position; in a manner similar to private-sector business. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The basic financial statements consist of three statements:

- The Statement of Net Position presents information on all of LPPA's assets, deferred outflows, and liabilities; with the difference between the assets and deferred outflows and liabilities reported as net position. Evaluating the changes (increases and decreases) in net position over time may serve as a useful indicator of whether the financial position of LPPA is declining or improving.
- The Statement of Revenues, Expenses, and Changes in Fund Net Position presents information on how LPPA's net position changed during the most recent fiscal year. The statement uses the accrual basis of accounting, similar to that used by private-sector businesses. All revenues and expenses are reported regardless of the timing of when cash is received or paid.
- The Statement of Cash Flows presents information showing how LPPA's cash changed during the most recent fiscal year. It shows the sources and uses of cash.

LAFAYETTE PUBLIC POWER AUTHORITY
Lafayette, Louisiana

Management's Discussion and Analysis (Continued)
October 31, 2019

FINANCIAL ANALYSIS OF LPPA AS A WHOLE

Table 1 – Condensed Statement of Net Position illustrates the change in net position of LPPA from FY 18 to FY 19. Total assets, total liabilities, and net position overall remained constant. Current assets increased \$1.9 million or 5.61%. Restricted assets increased \$164,000 or .85%. Capital assets incurred a net decrease of \$177,000 or .14% with plant assets decreasing by \$2.8 million and construction in progress increasing by \$2.6 million.

Current liabilities overall increased by \$1.4 million due to a \$2.3 million increase in accounts payable, a \$310,000 increase in contracts payable for construction costs, a \$77,000 decrease in the amount due to Lafayette City-Parish Consolidated Government and a \$1.1 million decrease in the amount due to the Lafayette Utilities System (LUS). Long term debt outstanding decreased by \$4.1 million due to the scheduled payments of bond principal.

LPPA has a power sales contract with the City of Lafayette Utilities System (LUS) by which LPPA has sold and the City has purchased all of LPPA's electrical generating capacity of the Rodemacher Power Station #2. In accordance with the terms and conditions of the power sales contract, LUS is obligated to pay LPPA's monthly power costs which include operational costs, debt service requirements, and any other deposit requirements of LPPA's bond ordinance.

Revenues and expenses of LPPA are illustrated in Table 2 – Condensed Statements of Revenues, Expenses, and Changes in Fund Net Position. Total revenues for 2019 decreased \$3.1 million or 5.95%. The total expenses for 2019 decreased \$2.6 million or 5.67%. Fuel costs decreased by \$1.8 million or 5.94%. The operations and maintenance costs decreased by \$879,000 or 9.80%. Depreciation, administrative and general, and non-operating expenses increased \$9,000.

The largest expense of LPPA is Fuel Cost and represents 64% of current year expenses. Fuel Cost is the cost of coal burned in the generation of electricity and includes transportation cost and fly ash credits. In 2019, the average cost per ton was \$37.02, which was \$1.14 more than the previous year's \$35.88 average cost per ton.

The amount of coal burned for the year was 664,211 tons, which was 27,492 less tons burned than in 2018. LPPA's coal inventory at fiscal year-end was \$8,624,290 representing 240,868 tons.

LAFAYETTE PUBLIC POWER AUTHORITY
Lafayette, Louisiana

Management's Discussion and Analysis (Continued)
October 31, 2019

The following Table 1 reflects the comparative condensed Statement of Net Position for 2019 and 2018.

Table 1

Condensed Statement of Net Position
October 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>	
Assets				
Current Assets	\$ 35,380,475	\$ 33,499,907	\$ 1,880,568	5.61%
Restricted Assets	19,454,155	19,290,322	163,833	0.85%
Capital Assets (Net of Depreciation)	<u>121,784,937</u>	<u>121,961,655</u>	<u>(176,718)</u>	<u>-0.14%</u>
Total Assets	<u>176,619,567</u>	<u>174,751,884</u>	<u>1,867,683</u>	<u>1.07%</u>
Deferred Outflows	<u>1,852,626</u>	<u>1,947,689</u>	<u>(95,063)</u>	<u>-4.88%</u>
Liabilities				
Current Liabilities	3,638,352	2,277,522	1,360,830	59.75%
Long Term Debt Outstanding	<u>83,461,528</u>	<u>87,601,431</u>	<u>(4,139,903)</u>	<u>-4.73%</u>
Total Liabilities	<u>87,099,880</u>	<u>89,878,953</u>	<u>(2,779,073)</u>	<u>-3.09%</u>
Net Position				
Net Investment in Capital Assets, Restricted for Debt Service	40,176,035	36,307,913	3,868,122	10.65%
Unrestricted	<u>36,242,648</u>	<u>35,732,217</u>	<u>510,431</u>	<u>1.43%</u>
Total Net Position	<u>\$ 91,372,313</u>	<u>\$ 86,820,620</u>	<u>\$ 4,551,693</u>	<u>5.24%</u>

LAFAYETTE PUBLIC POWER AUTHORITY
Lafayette, Louisiana

Management's Discussion and Analysis (Continued)
October 31, 2019

The table below provides a summary of revenues and expenses for the year ended October 31, 2019 and October 31, 2018.

Table 2
Condensed Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended October 31, 2019 and 2018

Revenue Category	2019		2018	
	Amount	% of Total	Amount	% of Total
Energy Sales	\$ 47,202,751	97.85%	\$ 50,740,877	98.93%
Non-Operating Revenues	1,035,324	2.15%	548,007	1.07%
Total Revenues	48,238,075	100.00%	51,288,884	100.00%
Expense Category				
Fuel (coal and gas)	27,808,740	63.66%	29,566,005	63.84%
Production (O&M)	8,088,697	18.52%	8,967,789	19.36%
Administrative & General	2,793,275	6.39%	2,778,370	6.00%
Depreciation	2,314,996	5.30%	1,727,062	3.73%
Other Non-Operating Expenses	2,680,674	6.14%	3,274,428	7.07%
Total Expenses	43,686,382	100.00%	46,313,654	100.00%
Increase in net position	4,551,693		4,975,230	
Net position, November 1	86,820,620		81,845,390	
Net position, October 31	\$ 91,372,313		\$ 86,820,620	

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Lafayette Public Power Authority's largest capital asset is its 50% ownership interest in the Rodemacher Power Station #2 located in Boyce, Louisiana. The remaining ownership interest in the power station is shared by CLECO (30%) and LEPA (20%). At the end of 2019, LPPA had \$122.0 million (net of depreciation) invested in capital assets. The electric plant represents 90.0% of the gross capital assets. Other assets include land, coal cars, and construction in progress.

Long-Term Debt

At October 31, 2019, LPPA had \$74.9 million of outstanding bonded debt comprised of \$47.7 million of (2012 series) Electric Revenue Series Bonds, \$27.2 million of (2015 series) Electric Revenue Refunding Series Bonds, and unamortized premiums of \$8.5 million. See note 6 in the Financial Report.

LAFAYETTE PUBLIC POWER AUTHORITY
Lafayette, Louisiana

Management's Discussion and Analysis (Continued)
October 31, 2019

As of October 31, 2019, the LPPA Revenue Bonds are rated as follows:

	Moody's Investors Service	Standard & Poor's
Underlying Ratings	A1	AA-

Detailed information on LPPA's long-term debt can be found in Note 6 of the Notes to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Fiscal Year 2020 Budget includes an increase of \$1.2 million in billed revenue to the City of Lafayette Utilities System (LUS). This slight change is the result of the equalization of Rodemacher's dispatch within the MISO market and an increase in capital and operations and maintenance costs which was partially offset by the use of existing cash reserves. The capital costs include low-pressure blade replacement, low-pressure heater replacement, dry sorbent injection silos, booster fan motor replacement, dozer replacement and other capital improvement projects. Debt service costs had no significant difference in the Fiscal Year 2020 budget as compared to Fiscal Year 2019.

Since the City of Lafayette Utilities System (LUS) is LPPA's only customer and they are governed by the same authority, their budget preparation processes run parallel. LUS's projected revenues and generation needs are major factors in the consideration of LPPA's budget. Economic projections for LUS's electrical kWh sales are usually conservative and based on historical growth trends. For the LUS Fiscal Year 2020 budget, electric retail kWh sales were budgeted with reduction in load growth of 6.28% over Fiscal Year 2019 to account for a decrease in kWh sales projections combined with a history of several relatively mild summers and winters. The average retail electric rate per kWh is projected to remain stable at \$0.09 from Fiscal Year 2019 to Fiscal Year 2020.

Other economic indicators of the City of Lafayette (including LUS and LPPA) such as sales tax growth, unemployment rates, and residential and commercial permits are also considered. These factors were reviewed; as a result, conservative estimates are used for budget purposes. LPPA's sales projections are based upon economic dispatch of all LPPA/LUS facilities with consideration of reliability, unit maintenance, transmission constraints, and coordination and/or directives with the regional load regulators. For Fiscal Year 2020, LPPA's kWh generation represents 52% of LUS's kWh requirements.

CONTACTING LAFAYETTE PUBLIC POWER AUTHORITY FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of Lafayette Public Power Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Chief Financial Officer, Lafayette Public Power Authority, P.O. Box 4017-C, Lafayette, Louisiana 70502.

BASIC FINANCIAL STATEMENTS

LAFAYETTE PUBLIC POWER AUTHORITY

Lafayette, Louisiana

Statements of Net Position

October 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash and interest-bearing deposits	\$ 4,131,949	\$ 1,119,634
Investments	19,000,000	25,000,000
Accounts receivable	37,306	31,724
Inventory	11,932,477	5,205,275
Preliminary survey/investigation costs	278,743	246,454
Prepaid expenses	-	1,896,820
Total current assets	<u>35,380,475</u>	<u>33,499,907</u>
NONCURRENT ASSETS		
Restricted assets:		
Cash and interest-bearing deposits	741,078	175,800
Investments	18,637,234	19,080,581
Accrued interest receivable	75,843	33,941
Total restricted assets	<u>19,454,155</u>	<u>19,290,322</u>
Capital assets:		
Land	201,964	201,964
Construction in progress	9,525,591	6,901,563
Utility plant and equipment, net	<u>112,057,382</u>	<u>114,858,128</u>
Total capital assets, net	<u>121,784,937</u>	<u>121,961,655</u>
Total noncurrent assets	<u>141,239,092</u>	<u>141,251,977</u>
Total assets	<u>176,619,567</u>	<u>174,751,884</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on bond refunding	<u>1,852,626</u>	<u>1,947,689</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	2,271,337	-
Contracts payable	405,497	95,693
Due to primary government	2,201	79,524
Due to Lafayette Utilities System	959,317	2,102,305
Total	<u>3,638,352</u>	<u>2,277,522</u>
NONCURRENT LIABILITIES		
Revenue bonds payable	74,940,000	78,470,000
Unamortized premium	8,521,528	9,131,431
Total noncurrent liabilities	<u>83,461,528</u>	<u>87,601,431</u>
Total liabilities	<u>87,099,880</u>	<u>89,878,953</u>
NET POSITION		
Net investment in capital assets	40,176,035	36,307,913
Restricted for debt service	14,953,630	14,780,490
Unrestricted	36,242,648	35,732,217
Total net position	<u>\$ 91,372,313</u>	<u>\$ 86,820,620</u>

The accompanying notes are an integral part of the basic financial statements.

LAFAYETTE PUBLIC POWER AUTHORITY
Lafayette, Louisiana

Statements of Revenues, Expenses, and Changes in Fund Net Position
For the Years Ended October 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating revenues:		
Charges for services	\$ 47,202,751	\$ 50,740,877
Operating expenses:		
Production	35,738,035	38,377,518
Transmission	159,402	156,276
Administration and general	2,793,275	2,778,370
Depreciation	<u>2,314,996</u>	<u>1,727,062</u>
Total operating expenses	<u>41,005,708</u>	<u>43,039,226</u>
Operating income	<u>6,197,043</u>	<u>7,701,651</u>
Nonoperating revenues (expenses):		
Interest income	1,035,324	548,007
Interest expense	(2,871,366)	(2,991,768)
Gain (loss) on disposal of capital assets	73,948	(253,343)
Unrealized gain (loss) on investments	<u>116,744</u>	<u>(29,317)</u>
Total nonoperating revenues (expenses)	<u>(1,645,350)</u>	<u>(2,726,421)</u>
Change in net position	4,551,693	4,975,230
Net position, beginning	<u>86,820,620</u>	<u>81,845,390</u>
Net position, ending	<u>\$ 91,372,313</u>	<u>\$ 86,820,620</u>

The accompanying notes are an integral part of the basic financial statements.

LAFAYETTE PUBLIC POWER AUTHORITY

Lafayette, Louisiana

Statements of Cash Flows

For the Years Ended October 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 47,202,751	\$ 50,740,877
Payments to suppliers for goods and services	(42,037,771)	(33,881,255)
Payments to employees and for employee related costs	<u>(437,879)</u>	<u>(453,085)</u>
Net cash provided by operating activities	<u>4,727,101</u>	<u>16,406,537</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on bonds	(3,530,000)	(3,410,000)
Interest paid	(3,386,206)	(3,506,606)
Purchase and construction of capital assets	<u>(1,786,815)</u>	<u>(2,612,658)</u>
Net cash used by capital and related financing activities	<u>(8,703,021)</u>	<u>(9,529,264)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,013,331	578,932
Sales (purchases) of investments	<u>11,631,137</u>	<u>(9,700,000)</u>
Net cash provided (used) by investing activities	<u>12,644,468</u>	<u>(9,121,068)</u>
Net increase (decrease) in cash and cash equivalents	8,668,548	(2,243,795)
Cash and cash equivalents, beginning of the year	<u>26,295,434</u>	<u>28,539,229</u>
Cash and cash equivalents, end of the year	<u>\$ 34,963,982</u>	<u>\$ 26,295,434</u>

(continued)

LAFAYETTE PUBLIC POWER AUTHORITY
Lafayette, Louisiana

Statements of Cash Flows (Continued)
For the Years Ended October 31, 2019 and 2018

	2019	2018
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 6,197,043	\$ 7,701,651
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,314,996	1,727,062
Change in assets and liabilities:		
Accounts receivable	(5,582)	1,861,199
Inventory	(6,727,202)	9,525,989
Prepaid expenses	1,896,820	(1,896,820)
Accounts payable	2,271,337	(2,951,826)
Due to other governments	(1,220,311)	439,282
Net cash provided by operating activities	\$ 4,727,101	\$ 16,406,537
Noncash investing, capital and financing activities:		
Increase (decrease) in fair value of investments	\$ 116,744	\$ (29,317)
Gain (loss) on disposal of capital assets	\$ 73,948	\$ (253,343)
Cash and cash equivalents, beginning of period		
Cash - unrestricted	\$ 1,119,634	\$ 4,337,695
Investments - unrestricted	25,000,000	14,300,000
Cash - restricted	175,800	201,534
Investments - restricted	19,080,581	19,139,034
Less: Investments with maturity in excess of 90 days	(19,080,581)	(9,439,034)
Total	26,295,434	28,539,229
Cash and cash equivalents, end of period		
Cash - unrestricted	4,131,949	1,119,634
Investments - unrestricted	19,000,000	25,000,000
Cash - restricted	741,078	175,800
Investments - restricted	18,637,234	19,080,581
Less: Investments with maturity in excess of 90 days	(7,546,279)	(19,080,581)
Total	34,963,982	26,295,434
Net increase (decrease)	\$ 8,668,548	\$ (2,243,795)

The accompanying notes are an integral part of the basic financial statements.

LAFAYETTE PUBLIC POWER AUTHORITY
Lafayette, Louisiana

Notes to the Basic Financial Statements

(1) Summary of Significant Accounting Policies

A. Reporting Entity

Lafayette Public Power Authority (Authority) is a political subdivision of the State of Louisiana created for the purpose of planning, financing, constructing, acquiring, improving, operating, maintaining and managing public power projects or improvements solely or jointly with other public or private corporations and for the purpose of providing electric power for the City of Lafayette and others. The Authority constitutes a legal entity separate and apart from Lafayette City-Parish Consolidated Government (Lafayette Consolidated Government). The Lafayette City-Parish Council is the governing authority, its Chief Executive Officer is the Mayor-President of Lafayette Consolidated Government, its Managing Director is the Director of Lafayette Utilities System (LUS), and its Secretary is Lafayette Consolidated Government's Clerk.

The Authority, Central Louisiana Electric Company, Inc. (CLECO) and Louisiana Energy and Power Authority (LEPA) are parties to agreements governing the ownership and operation of the electric generating and transmission facilities. CLECO manages the construction and operation of the fossil fuel steam electric generating plant known as Rodemacher Unit No. 2. The project is owned jointly by the Authority (50%), CLECO (30%) and LEPA (20%). The financial information contained in these statements is only that of the Authority.

The Authority entered into a power sales contract with the City of Lafayette on May 1, 1977. The City agreed to purchase and the Authority agreed to sell the "project capability," which is the amount of electric power and energy, if any, which the project is capable of generating, with certain limitations. The project is defined as the Authority's fifty percent (50%) ownership interest in the fossil fuel steam electric generating plant.

The Authority, reported in these statements as a proprietary fund, prepares its financial statements in accordance with the standards established by the Governmental Accounting Standards Board (GASB). GASB Statement No. 14 has defined the governmental reporting entity to be Lafayette Consolidated Government. The accompanying statements present only transactions of the Authority, a component unit of Lafayette Consolidated Government.

B. Basis of Accounting

The accounts of the Authority are maintained substantially in accordance with the Uniform System of Accounts of the Federal Energy Regulatory Commission (FERC) and are in conformity with generally accepted accounting principles (GAAP). Such accounting and reporting policies also conform to the requirements of Louisiana Revised Statute 24:517 and to the guidelines set forth in the Louisiana Governmental Audit Guide. In certain instances, FERC regulations differed from generally accepted accounting principles. In those situations, the Authority followed the FERC guidance, as directed by law. However, amounts reported, according to FERC regulations, did not differ materially from GAAP.

The Authority maintains its books and records on the full accrual basis of accounting and on the flow of economic resources measurement focus. The Authority applies all applicable professional standards in accounting and reporting for its proprietary operations.

LAFAYETTE PUBLIC POWER AUTHORITY
Lafayette, Louisiana

Notes to the Basic Financial Statements (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating 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 are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

In some instances, GASB requires an entity to delay recognition of decreases in net position as expenditures until a future period. In other instances, entities are required to delay recognition of increases in net position as revenues until a future period. In these circumstances, deferred outflows of resources and deferred inflows of resources result from the delayed recognition of expenditures or revenues, respectively.

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The Authority reports three components as follows:

- (1) Net investment in capital assets - This component consists of net capital assets reduced by the outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.
- (2) Restricted net position - This component is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the Authority's bonds. Restricted net position is restricted assets reduced by liabilities and deferred inflows of resources related to the restricted assets.
- (3) Unrestricted net position - This component consists of all other net position that does not meet the definition of the above two components and is available for general use by the Authority.

C. Cash Flows

For purposes of the Statements of Cash Flows, the Authority considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

D. Investments

Under State law, the Authority may invest in United States bonds, treasury notes, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in the State of Louisiana. In accordance with section 150 of GASB *Codification of Governmental Accounting and Financial Reporting Standards*, investments meeting the criteria specified are stated at fair value, which is either a quoted market price or the best estimate available. Investments which do not meet the requirements are stated at cost. These investments include overnight repurchase agreements.

LAFAYETTE PUBLIC POWER AUTHORITY
Lafayette, Louisiana

Notes to the Basic Financial Statements (Continued)

E. Inventory

Coal inventory is stated at the lower of cost or market as determined by the average cost method. Coal inventory amounted to \$8,624,290 representing 240,868 tons at October 31, 2019 and \$2,605,532 representing 73,777 tons at October 31, 2018.

The spare parts and supplies inventory is stated at the lower of cost or market as determined by the average cost method and amounted to \$3,308,187 and \$2,599,743 at October 31, 2019 and 2018, respectively.

F. Capital Assets

Property, plant, and equipment are recorded at cost and include direct and overhead costs and the costs of funds borrowed by the Authority and used for construction purposes. Depreciation of property, plant, and equipment is computed using the straight-line method over the expected service lives of the assets as follows:

	<u>Years</u>
Production plant	50-95
General plant	5-45
Coal cars	27

G. Electric Revenue Bonds

Bonds outstanding are reported net of unamortized premiums, which are amortized over the life of the bonds using the straight-line method.

H. Salaries and Related Expenses

The Authority reimburses Lafayette Consolidated Government for salaries, benefits and related expenses of employees who perform duties for the Authority. The Authority is not liable and, therefore, does not accrue vacation and sick-time benefits.

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) Cash and Interest-Bearing Deposits

Under state law the Authority may deposit funds with a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the union, or the laws of the United States. The Authority may invest in direct obligations of the United States government, bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by federal agencies and/or the United States government, and time certificates of deposit of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

LAFAYETTE PUBLIC POWER AUTHORITY
Lafayette, Louisiana

Notes to the Basic Financial Statements (Continued)

At October 31, 2019, the Authority had demand deposits (book balances) totaling \$4,873,027 as follows:

Interest-bearing deposits	<u>\$ 4,873,027</u>
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Custodial credit risk is the risk that in the event of a bank failure of a depository financial institution, the Authority's deposits may not be recovered or the collateral securities that are in the possession of the outside party will not be recovered. These deposits are stated at cost, which approximates fair value. Under state law, deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the Authority or the pledging fiscal agent bank by a holding or custodial bank that is mutually acceptable to both parties.

Deposit balances (bank balances) at October 31, 2019, are secured as follows:

Bank balances	<u>\$ 4,873,027</u>
Federal deposit insurance	250,000
Pledged securities	<u>4,623,027</u>
Total federal deposit insurance and pledged securities	<u>\$ 4,873,027</u>

Deposits in the amount of \$4,623,027 were exposed to custodial credit risk. These deposits are uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the Authority's name. The Authority does not have a policy for custodial credit risk.

(3) Investments

As of October 31, 2019 and 2018, the Authority's investments were as follows:

Description	2019	2018
Repurchase agreements	\$ 19,000,000	\$ 25,000,000
U.S. Instrumentalities	<u>18,637,234</u>	<u>19,080,581</u>
Total investments	<u>\$ 37,637,234</u>	<u>\$ 44,080,581</u>

As a component unit of Lafayette Consolidated Government, the Authority follows the Cash Management Rules and Guidelines of Lafayette Consolidated Government. The following are the risks associated with these rules and guidelines.

Interest rate risk: The state law does not address specific policies for managing interest rate risk. The Authority's investment policy limits the investment portfolio to "money market instruments, which are defined as very creditworthy, highly liquid investments with maturities of one year or less. Although there may be certain circumstances in which longer-term securities are utilized, the general use of long-term securities shall be avoided.

LAFAYETTE PUBLIC POWER AUTHORITY
Lafayette, Louisiana

Notes to the Basic Financial Statements (Continued)

The following provides information about interest rate risk associated with the Authority's investments:

October 31, 2019:

<u>Investment Type</u>	<u>% of Portfolio</u>	<u>Investment Maturities</u>		
		<u>Fair Value</u>	<u>Less Than One Year</u>	<u>One - Five Years</u>
Repurchase agreements	50%	\$ 19,000,000	\$ 19,000,000	\$ -
U.S. Instrumentalities	50%	18,637,234	18,637,234	-
Total	100%	\$ 37,637,234	\$ 37,637,234	\$ -

October 31, 2018:

<u>Investment Type</u>	<u>% of Portfolio</u>	<u>Investment Maturities</u>		
		<u>Fair Value</u>	<u>Less Than One Year</u>	<u>One - Five Years</u>
Repurchase agreements	57%	\$ 25,000,000	\$ 25,000,000	\$ -
U.S. Instrumentalities	43%	19,080,581	15,471,277	3,609,304
Total	100%	\$ 44,080,581	\$ 40,471,277	\$ 3,609,304

Credit rate risk: The credit rate risks of the investments are managed by restricting investments to those authorized by R.S. 33:5162. The Authority's Investment Policy limits investments to fully insured and/or fully-collateralized certificates of deposits and direct and indirect obligations of U.S. government agencies.

<u>Rating by Standard & Poor's</u>	<u>2019</u>	<u>2018</u>
AA+	\$ 18,637,234	\$ 19,080,581
Not rated	19,000,000	25,000,000
	\$ 37,637,234	\$ 44,080,581

Concentration of credit risk: R.S. 33:5162 provides that all fixed income investments be appropriately diversified by maturity, security, sector, and credit quality. At October 31, 2019 and 2018, no more than 5 percent of the Authority's total investments were invested in any single issue.

(4) Restricted Assets

Restricted assets of the Authority were applicable to the following:

	<u>2019</u>	<u>2018</u>
Bond reserve fund	\$ 9,669,706	\$ 9,502,300
Capital additions and contingencies	5,283,924	5,285,840
Fuel cost stability fund	4,500,525	4,502,182
Total	\$ 19,454,155	\$ 19,290,322

LAFAYETTE PUBLIC POWER AUTHORITY
Lafayette, Louisiana

Notes to the Basic Financial Statements (Continued)

(5) Capital Assets

Capital asset activity for the year ended October 31, 2019 was as follows:

	Balance 11/1/2018	Additions	Deletions	Balance 10/31/2019
Capital assets not being depreciated:				
Land	\$ 201,964	\$ -	\$ -	\$ 201,964
Construction in progress	6,901,563	2,626,376	2,348	9,525,591
Other capital assets:				
Production plant	222,794,905	2,348	544	222,796,709
General plant	2,525,072	6,181	-	2,531,253
Coal cars	15,894,245	-	716,544	15,177,701
Totals	248,317,749	2,634,905	719,436	250,233,218
Less accumulated depreciation	126,356,094	2,314,996	222,809	128,448,281
Capital assets, net	<u>\$ 121,961,655</u>	<u>\$ 319,909</u>	<u>\$ 496,627</u>	<u>\$ 121,784,937</u>

Depreciation expense charged to operations for the years ended October 31, 2019 and 2018 was \$2,314,996 and \$1,727,062, respectively.

Construction in progress for the Authority is comprised of the following:

Funding source/ Project type:	Project Authorization	Capitalized To Date	Construction in Progress	Remaining Authorized
Equity-				
Electric plant	\$ 9,311,210	\$ -	\$ 9,296,455	\$ 14,755
Bond proceeds-				
Electric plant	229,136	-	229,136	-
Total	<u>\$ 9,540,346</u>	<u>\$ -</u>	<u>\$ 9,525,591</u>	<u>\$ 14,755</u>

(6) Electric Revenue Bonds

The following is a summary of the electric revenue bonds transactions for the year ended October 31, 2019:

Issue	Balance 11/1/2018	Additions	Deletions	Balance 10/31/2019	Due Within One Year
Series 2012	\$ 50,420,000	\$ -	\$ 2,715,000	\$ 47,705,000	\$ -
Series 2015	28,050,000	-	815,000	27,235,000	-
	<u>\$ 78,470,000</u>	<u>\$ -</u>	<u>\$ 3,530,000</u>	<u>\$ 74,940,000</u>	<u>\$ -</u>

LAFAYETTE PUBLIC POWER AUTHORITY
Lafayette, Louisiana

Notes to the Basic Financial Statements (Continued)

The Authority issues bonds where it pledges project power revenues, after payment of operating expenses, as well as assets of the Authority, as established by ordinance. Revenue bonds outstanding at October 31, 2019 and 2018 are as follows:

Purpose	Interest Rate	Issue Date	2019	2018
Electric Revenue Serial				
Bonds Series 2012	3.00% - 5.00%	12/21/12	47,705,000	50,420,000
Electric Revenue Refunding Serial				
Bonds Series 2015	2.00% - 5.00%	11/13/15	27,235,000	28,050,000
Total principal outstanding			74,940,000	78,470,000
Add: unamortized premium			8,521,528	9,131,431
Net revenue bonds outstanding			<u>\$ 83,461,528</u>	<u>\$ 87,601,431</u>

Revenue bond debt service requirements to maturity are as follows:

Year Ended October 31	Principal	Interest	Total
2020	\$ -	\$ 1,653,728	\$ 1,653,728
2021	3,615,000	3,239,381	6,854,381
2022	3,745,000	3,100,731	6,845,731
2023	3,895,000	2,937,281	6,832,281
2024	4,075,000	2,762,906	6,837,906
2025 - 2029	23,380,000	10,682,018	34,062,018
2030 - 2033	36,230,000	3,188,112	39,418,112
	<u>\$ 74,940,000</u>	<u>\$ 27,564,157</u>	<u>\$ 102,504,157</u>

(7) Reconciliation of Income with Billings

Pursuant to Section 7.2 of its bond ordinance, the Authority is required to fix, establish, maintain and collect sufficient rates and charges to pay all costs of operations and maintenance, repairs, renewals and replacements, debt service installments and deposits into the bond reserve account and the bond reserve and contingency fund. Further, the power sales contract with the City of Lafayette provides that the components of the billing to the City includes all such costs and deposit requirements and also include a credit for all receipts from other sources.

Because of the differences between receipts and costs for billing purposes and revenues and expenses for statement presentation, the Statement of Revenues and Expenses might reflect a net income or loss for the year even though the authority was in compliance with all provisions of the bond covenant. For example, for statement presentation, the costs of capital items are billed and included as revenue from the City of Lafayette, but are shown as an asset rather than an expense. Similarly, some items considered as receipts for billing purposes are not treated as revenues for accounting purposes.

LAFAYETTE PUBLIC POWER AUTHORITY
Lafayette, Louisiana

Notes to the Basic Financial Statements (Continued)

The following is a reconciliation of net income with billings for the years ended October 31, 2019 and 2018:

	2019	2018
Billing charges not treated as expenses for accounting purposes:		
Net capital expenses (credits)	\$ 2,632,557	\$ 3,061,514
Principal (net of coal cars)	3,530,000	3,410,000
Accounting expenses not treated as charges for billing purposes:		
Depreciation (net)	(2,314,996)	(1,727,062)
Amortization of bond premium	609,903	609,950
Amortization of loss on bond refunding	(95,063)	(95,112)
Professional services	(1,400)	(1,400)
Unrealized gain (loss) on investments	116,744	(29,317)
Gain (loss) on disposal of capital assets	73,948	(253,343)
Net income	\$ 4,551,693	\$ 4,975,230

Flow of Funds/Restrictions on Use

Under the terms of the ordinance authorizing and providing for the issuance of electric revenue bonds of the Authority to finance the acquisition of an ownership interest in a fossil fuel steam electric generating plant and for other purposes relating thereto, the bonds are special obligations of the Authority payable solely from and secured by the revenues and other funds including bond proceeds. All income and revenues (2019 collections \$47,202,751) are pledged and dedicated to the retirement of the bonds with outstanding principal and interest balances in the amount of \$74,940,000 and \$27,564,157, respectively. Such revenues consists of all fees, charges, receipts, profits, and other money derived by the Authority from its ownership and operation of the fossil fuel steam electric generating plant, other than certain money derived during the period of construction.

Money in the revenue fund shall be first applied to the payment of operating expenses of the plant, exclusive of depreciation and amortization. Money in the revenue fund shall then be deposited into the bond fund to pay principal and premium, if any, and interest on all bonds as they become due and payable and then applied to maintain in the bond fund reserve account an amount equal to the maximum annual debt service requirement on all bonds (initially funded from bond proceeds). After making the required payments into the operating account and bond fund, there shall be paid out of the revenue fund into the reserve and contingency fund an amount equal to \$1,500,000 or such greater amount as may be determined by the consulting engineer; provided that there shall not be required to be paid therein during any month an amount in excess of twenty-five percent (25%) of the amounts required to be paid during such month to the bond fund.

If on any October 31st following the date of commercial operation, the monies credited (or to be credited as of such date) to the revenue fund shall exceed the Authority's required amount of working capital for the operations of the plant, the amount of such excess shall be applied by the Authority (i) to reduce monthly power costs to the City of Lafayette under the power sales contract; (ii) to pay the cost of making repairs, renewals and replacements, additions, betterments and improvements to and extensions of the plant operations; (iii) to the purchase or redemption of bonds; (iv) to any other purpose in connection with the plant operation; or, (v) to any other lawful purpose of the Authority, including the payment of subordinated indebtedness.

LAFAYETTE PUBLIC POWER AUTHORITY
Lafayette, Louisiana

Notes to the Basic Financial Statements (Continued)

The Fuel Cost Stability Fund was established to allow level billings to retail customer when the generating plant is out of service for a period of seven days or more. In those instances, a credit may be applied to the monthly power bill to the City of Lafayette. When the unit has been returned to operation, the funds, which were applied as a credit, are recovered by application of a surcharge to restore the fund balance over a reasonable period of time.

(8) Commitments and Contingencies

A. Coal Purchase Commitment

On March 31, 2019, the Authority entered into a seven-month contract with Peabody Coal Sales, LLC to purchase 450,000 tons at \$10.40 per ton which expires on November 30, 2019.

The terms of the contracts and annual quantities to be purchased are as follows:

<u>Fiscal Year</u>	<u>Contract Quantity</u>	<u>Committed Cost</u>	<u>Purchase Commitment</u>
2019	<u>450,000</u>	<u>\$ 10.40</u>	<u>\$ 4,680,000</u>

As of October 31, 2019, the Authority purchased 422,487 tons, of the 450,000-ton contract requirements at \$10.40 per ton for a total cost of \$4,393,862.

B. Environmental Regulations

The Authority is subject to certain federal, state and local laws and regulations governing the protection of the environment. Violations of these laws and regulations may result in substantial fines and penalties. The Authority has obtained the environmental permits necessary for the operation of its electric power generation facilities, and management believes the Authority is in compliance in all material respects with these permits, as well as all applicable environmental laws and regulations. Environmental requirements affecting electric power generation facilities are complex, change frequently, and have become more stringent over time as a result of new legislation, administrative actions, and judicial interpretations. Therefore, the capital costs and other expenditures necessary to comply with existing and new environmental requirements are difficult to determine.

The Environmental Protection Agency (EPA) has proposed and adopted rules under the authority of the Clean Air Act (CAA) relevant to the emissions of sulfur dioxide (SO₂) and nitrogen oxide (NO_x) from the Authority's generating units. The CAA established the Acid Rain Program to address the effects of acid rain and imposed restrictions on SO₂ emissions from certain generating units. The CAA requires these generating units to possess a regulatory "allowance" for each ton of SO₂ emitted beginning in the year 2000. The EPA allocates a set number of allowances to each affected unit based on its historic emissions. The Authority has sufficient allowances for operations and expects to have sufficient allowances operations in the foreseeable future under the Acid Rain Program.

LAFAYETTE PUBLIC POWER AUTHORITY
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Notes to the Basic Financial Statements (Continued)

On July 6, 2011, the EPA finalized a rule titled "Federal Implementation Plans to Reduce Interstate Transport of Fine Particulate Matter and Ozone" that later became known as Cross-State Air Pollution Rule (CSAPR) to address air pollution from upwind states that crosses state lines and affects air quality in downwind states. CSAPR imposes significant reductions in SO₂ and NO_x emissions from electric generating units (EGUs) that cross state lines. Under CSAPR, the EPA sets total emissions limits for each state, allowing limited interstate (and unlimited intrastate trading) of emission allowances among power plants to comply with these limits beginning January 1, 2012. Specifically for Louisiana, CSAPR limits NO_x emissions for the ozone season, consisting of the months of May through September.

On December 30, 2011, the D. C. Circuit Court of Appeals issued an order staying implementation of CSAPR. The Court further ordered that the Clean Air Interstate Rule (CAIR), a predecessor rule to CSAPR, remain in place while CSAPR was stayed. On April 29, 2014, the U.S. Supreme Court issued an opinion reversing the August 21, 2012 D. C. Court decision that vacated CSAPR and remanded the case back to the D. C. Circuit, where outstanding issues in the case were to be resolved. The stay remained in place until those issues were settled. On October 23, 2014, the D. C. Circuit granted EPA's request to lift the CSAPR stay. EPA issued a rule that tolled the CSAPR compliance deadlines by three years. CSAPR Phase I implementation became effective January 1, 2015, with Phase 2 beginning in 2017. EPA proposed a CSAPR Update Rule on November 20, 2015 to address interstate transport of air pollution under the 2008 ozone National Ambient Air Quality Standard (NAAQS) and to help downwind states and communities meet and maintain the 2008 ozone NAAQS. The proposal is set to reduce the NO_x emissions for Phase 2 effective in 2017. On December 3, 2015, EPA published the proposed update to CSAPR for the 2008 ozone NAAQS. The Authority filed comments to EPA by the deadline of February 2, 2016. EPA finalized the CSAPR Update Rule on October 26, 2016, and the rule became effective on December 27, 2016. Starting in May 2017, the rule will reduce summertime (May – September) nitrogen oxides (NO_x) emissions from power plants in 22 states in the eastern U.S., including Louisiana.

The EPA also has adopted rules under Section 112 of the CAA governing the emissions of mercury and other hazardous air pollutants from certain electric generating units (EGUs). The EPA established maximum achievable control technology (MACT) standards for coal-fired EGUs in late 2011, and signed a final rule setting forth national emissions standards for hazardous air pollutants from coal- and oil-fired electric utility steam generating units on December 21, 2011. The final rule is now known as Mercury & Air Toxic Standards (MATS). The MATS rule requires affected EGUs to meet specific numeric emission standards and to establish work practice standards to address hazardous air pollutants. As a result of litigation due to the cost of the regulation, on December 15, 2015, the U.S. Court of Appeals for the D.C. Circuit issued an order remanding the MATS rule without vacatur. The court expected EPA to provide a response to the issue raised by the Supreme Court on the relevance of costs that affected facilities will incur because of MATS, on or before April 15, 2016, with a possible one year extension on the implementation period for industry. On April 15, 2016, the EPA issued a final finding that it is appropriate and necessary to set standards for emissions of air toxics from coal- and oil-fired power plants. The EPA found that the cost of compliance with MATS is reasonable and that the electric power industry can comply with MATS and maintain its ability to provide reliable electric power to consumers at a reasonable cost.

LAFAYETTE PUBLIC POWER AUTHORITY
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Notes to the Basic Financial Statements (Continued)

In order to comply with these regulations, the Authority's 50% share of costs is approximately \$74,600,000. Compliance with CSAPR was completed during the 2012-2013 fiscal year at a cost of \$5,500,000. Environmental upgrades for compliance with MATS were completed at the beginning of 2015 at a cost of \$67,400,000. Funding for these projects was obtained through existing funds and the issuance of \$74,600,000 Series 2012 Electric Revenue Bonds.

On June 2, 2014, EPA released the rule under Section 111(d) of the Clean Air Act, known as the Clean Power Plan (CPP), which proposed guidelines for Carbon Dioxide (CO₂) emissions from existing fossil fuel-fired power plants. The rule would "set state-specific goals" for CO₂ emissions from the power sector, in addition to developing plans to achieve the state-specific goals. EPA finalized the CPP on August 3, 2015. The U.S. Supreme Court issued a stay of the implementation on February 9, 2016.

(9) Litigation

There is no litigation pending against the Authority at October 31, 2019.

(10) Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority, through its agreement with CLECO is insured to reduce the exposure to these risks.

(11) Fair Value Measurements

Professional standards require the disclosure for fair value measurements of financial assets and liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. The standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of inputs used to measure fair value are as follows:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- b. Level 2 inputs are observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- c. Level 3 inputs are unobservable inputs for the asset or liability.

LAFAYETTE PUBLIC POWER AUTHORITY
Lafayette, Louisiana

Notes to the Basic Financial Statements (Continued)

The following methods and assumptions were used by the District in estimating fair values of financial instruments:

- a. The carrying amount reported in the statement of net position for the following approximates fair value due to the short maturities of these instruments: cash, accounts receivable, and accounts payable.
- b. The fair value for investment securities are based on quoted market prices at the reporting date multiplied by the quantity held. The carrying value equals fair value.

The following table presents assets that are measured at fair value on a recurring basis at October 31, 2019 and 2018:

<u>Description</u>	<u>October 31, 2019</u>			
	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
U.S. Instrumentalities	<u>\$ 18,637,234</u>	<u>\$ -</u>	<u>\$ 18,637,234</u>	<u>\$ -</u>

<u>Description</u>	<u>October 31, 2018</u>			
	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
U.S. Instrumentalities	<u>\$ 19,080,581</u>	<u>\$ -</u>	<u>\$ 19,080,581</u>	<u>\$ -</u>

(12) Related Party Transactions

Lafayette Consolidated Government provides management and administrative support functions to the Authority in exchange for a fee. The amount charged to the Authority for these services for the years ended October 31, 2019 and 2018 amounted to \$344,522 and \$374,493, respectively. As of October 31, 2019 and 2018, the Authority owed Lafayette Consolidated Government \$2,201 and \$79,524, respectively.

Lafayette Utilities System (LUS) provides management and administrative support functions to the Authority in exchange for a fee. The amount charged to the Authority for these services for the years ended October 31, 2019 and 2018 amounted to \$413,642 and \$437,879, respectively. As of October 31, 2019 and 2018, the Authority owed LUS \$413,642 and \$437,879, respectively.

The Authority sells electric power to LUS. Amounts billed to LUS for electric power sales for the years ended October 31, 2019 and 2018 were \$47,202,751 and \$50,740,877 respectively. As of October 31, 2019 and 2018, the Authority owed LUS \$545,675 and \$1,664,426, respectively.

LAFAYETTE PUBLIC POWER AUTHORITY
Lafayette, Louisiana

Notes to the Basic Financial Statements (Continued)

(13) Concentrations

The Authority, in accordance with its power sales contract disclosed in Note 1A, currently sells all of its electric power generated to the City of Lafayette. Should the City of Lafayette seek other possible sources of electricity, the Authority, through its 50% ownership of the Rodemacher Unit No. 2, could conceivably offer power to other interested purchasers.

(14) Compensation, Benefits, and Other Payments to Agency Head

The agency head, Joel Robideaux, Mayor-President of Lafayette Consolidated Government, did not receive compensation, benefits, or other payments from the Authority for the year ended October 31, 2019.

SUPPLEMENTARY INFORMATION

LAFAYETTE PUBLIC POWER AUTHORITY
Lafayette, Louisiana

Schedule of Changes in Restricted Assets
For the Year Ended October 31, 2019

	Bond Principal and Interest Fund	Bond Reserve Fund	Reserve and Contingency Fund	Fuel Cost Stability Fund	Total
Restricted cash, October 31, 2018	\$ -	\$ 71,288	\$ 94,680	\$ 9,832	\$ 175,800
Interest received	42,482	160,908	110,612	98,409	412,411
Cash disbursements:					
Transfer from (to) investments	-	576,740	(6,145)	(5,317)	565,278
Transfers among funds:					
Transfer from Revenue Fund	6,916,206	-	-	-	6,916,206
Transfers to Escrow	(6,916,206)	-	-	-	(6,916,206)
Transfers to Revenue Fund - interest	<u>(42,482)</u>	<u>(160,908)</u>	<u>(110,612)</u>	<u>(98,409)</u>	<u>(412,411)</u>
Restricted cash, October 31, 2019	<u>-</u>	<u>648,028</u>	<u>88,535</u>	<u>4,515</u>	<u>741,078</u>
Restricted investments and accrued interest, October 31, 2018	-	9,414,522	5,200,000	4,500,000	19,114,522
Maturities of investments	-	(5,800,000)	(5,200,000)	(4,500,000)	(15,500,000)
Purchases of investments	-	5,230,659	5,193,856	4,495,485	14,920,000
Increase in accrued interest receivable	-	41,902	-	-	41,902
Increase in fair value	-	116,533	113	97	116,743
Net increase in unamortized premium/discount	<u>-</u>	<u>18,061</u>	<u>1,421</u>	<u>428</u>	<u>19,910</u>
Restricted investments and accrued interest, October 31, 2019	<u>-</u>	<u>9,021,677</u>	<u>5,195,390</u>	<u>4,496,010</u>	<u>18,713,077</u>
Total restricted cash, investments, and accrued interest, October 31, 2019	<u>\$ -</u>	<u>\$ 9,669,705</u>	<u>\$ 5,283,925</u>	<u>\$ 4,500,525</u>	<u>\$ 19,454,155</u>

LAFAYETTE PUBLIC POWER AUTHORITY
Lafayette, Louisiana

Schedules of Operating Expenses
For the Years Ended October 31, 2019 and 2018

	2019	2018
Operating expenses:		
Production -		
Steam power generation - operation:		
Supervision	\$ 261,805	\$ 1,127,916
Fuel expense	27,808,740	29,566,005
Steam expense	854,068	830,454
Electric expense	805,457	788,673
Miscellaneous	650,923	688,401
Total	30,380,993	33,001,449
Steam power generation - maintenance		
Supervision and engineering	506,899	569,814
Structures	360,289	303,347
Boiler plant	3,502,107	3,365,446
Electric plant	179,494	136,551
Miscellaneous steam plant	808,253	1,000,911
Total	5,357,042	5,376,069
Total production	35,738,035	38,377,518
Transmission -		
Load dispatching expenses	159,402	156,276
Administrative and general -		
Administrative and general salaries	344,522	374,494
Miscellaneous general expenses	156,971	149,270
Administrative and general expenses	1,577,110	1,775,015
Outside services employed	52,473	62,522
Paying agent fees	23,712	24,694
Property insurance	638,487	392,375
Total administrative and general	2,793,275	2,778,370
Depreciation	2,314,996	1,727,062
Total operating expenses	\$ 41,005,708	\$ 43,039,226

INTERNAL CONTROL, COMPLIANCE

AND

OTHER MATTERS

KOLDER, SLAVEN & COMPANY, LLC

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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*

The Board of Commissioners
Lafayette Public Power Authority
Lafayette, Louisiana

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 Lafayette Public Power Authority, a component unit of Lafayette City-Parish Consolidated Government, as of and for the year ended October 31, 2019, and the related notes to the financial statements, which collectively comprise Lafayette Public Power Authority's basic financial statements, and have issued our report thereon dated April 24, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lafayette Public Power Authority'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 opinion on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of Lafayette Public Power Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Lafayette Public Power Authority'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 entity'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 over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lafayette Public Power Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 and compliance. Accordingly, this communication is not suitable for any other purpose.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
April 24, 2020

LAFAYETE PUBLIC POWER AUTHORITY
Lafayette, Louisiana

Summary Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended October 31, 2019

Part 1. Current Year Findings and Management's Corrective Action Plan

A. Compliance Findings-

There are no findings reported under this section.

B. Internal Control Findings-

There are no findings reported under this section.

Part II. Prior Year Findings

A. Compliance Findings-

There are no findings reported under this section.

B. Internal Control Findings-

There are no findings reported under this section.