

LAFAYETTE PUBLIC POWER AUTHORITY

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

FINANCIAL REPORT

YEARS ENDED OCTOBER 31, 2020 AND 2019

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KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA*
Brad E. Kolder, CPA, JD*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
Arthur R. Mixon, CPA*
Stephen J. Anderson, CPA*
Christine C. Doucet, CPA
Wanda F. Arcement, CPA
Bryan K. Joubert, CPA
Matthew E. Margaglio, CPA
Casey L. Ardoin, CPA, CFE

183 S. Beadle Rd. 11929 Bricksome Ave.
Lafayette, LA 70508 Baton Rouge, LA 70816
Phone (337) 232-4141 Phone (225) 293-8300

1428 Metro Dr. 450 E. Main St.
Alexandria, LA 71301 New Iberia, LA 70560
Phone (318) 442-4421 Phone (337) 367-9204

200 S. Main St. 1201 David Dr.
Abbeville, LA 70510 Morgan City, LA 70380
Phone (337) 893-7944 Phone (985) 384-2020

434 E. Main St. 332 W. Sixth Ave.
Ville Platte, LA 70586 Oberlin, LA 70655
Phone (337) 363-2792 Phone (337) 639-4737

Victor R. Slaven, CPA* - retired 2020

INDEPENDENT AUDITOR'S REPORT

WWW.KCSRCPAS.COM

* A Professional Accounting Corporation

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, 2020 and 2019, 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, 2020 and 2019, 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 2019 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 19, 2021, 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 solely 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 effectiveness of Lafayette Public Power Authority's 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

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

LAFAYETTE PUBLIC POWER AUTHORITY
Lafayette, Louisiana

Management's Discussion and Analysis
October 31, 2020

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, 2020. 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 \$92.7 million (*net position*). Unrestricted fund net position amounts to \$33.4 million and may be used to meet ongoing operations and obligations. Restricted assets total \$19.4 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 \$44.4 million.
- Long term debt outstanding decreased by \$4.2 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, 2020. 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, 2020

FINANCIAL ANALYSIS OF LPPA AS A WHOLE

Table 1 – Condensed Statement of Net Position illustrates the change in net position of LPPA from FY 19 to FY 20. Total assets, total liabilities, and net position overall remained constant. Current assets decreased \$5.0 million or 14.17%. Restricted assets decreased \$103,000 or .53%. Capital assets incurred a net increase of \$1.7 million or 1.39% with plant assets increasing by \$3.7 million and construction in progress decreasing by \$2.0 million.

Current liabilities overall decreased by \$598,000 due to a \$796,000 decrease in accounts payable, a \$1.2 million increase in contracts payable for construction costs, a \$500 decrease in the amount due to Lafayette City-Parish Consolidated Government and a \$959,000 decrease in the amount due to the Lafayette Utilities System (LUS). Long term debt outstanding decreased by \$4.2 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 2020 decreased \$10.4 million or 21.62%. The total expenses for 2020 decreased \$7.2 million or 16.43%. Fuel costs decreased by \$8.5 million or 30.64%. The operations and maintenance costs increased by \$1.2 million or 15.13%. Depreciation, administrative and general, and non-operating expenses increased \$118,000.

The largest expense of LPPA is Fuel Cost and represents 53% 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 2020, the average cost per ton was \$34.85 which was \$2.17 less than the previous year's \$37.02 average cost per ton.

The amount of coal burned for the year was 461,970 tons, which was 202,241 less tons burned than in 2019. LPPA's coal inventory at fiscal year-end was \$8,999,821 representing 282,082 tons.

LAFAYETTE PUBLIC POWER AUTHORITY
Lafayette, Louisiana

Management's Discussion and Analysis (Continued)
October 31, 2020

The following Table 1 reflects the comparative condensed Statement of Net Position for 2020 and 2019.

Table 1

**Condensed Statement of Net Position
October 31, 2020 and 2019**

	2020	2019	Increase (Decrease)	
Assets				
Current Assets	\$ 30,368,375	\$ 35,380,475	\$ (5,012,100)	-14.17%
Restricted Assets	19,351,497	19,454,155	(102,658)	-0.53%
Capital Assets (Net of Depreciation)	123,474,195	121,784,937	1,689,258	1.39%
Total Assets	<u>173,194,067</u>	<u>176,619,567</u>	<u>(3,425,500)</u>	<u>-1.94%</u>
Deferred Outflows	<u>1,757,291</u>	<u>1,852,626</u>	<u>(95,335)</u>	<u>-5.15%</u>
Liabilities				
Current Liabilities	3,040,662	3,638,352	(597,690)	-16.43%
Long Term Debt Outstanding	<u>79,236,363</u>	<u>83,461,528</u>	<u>(4,225,165)</u>	<u>-5.06%</u>
Total Liabilities	<u>82,277,025</u>	<u>87,099,880</u>	<u>(4,822,855)</u>	<u>-5.54%</u>
Net Position				
Net Investment in Capital Assets, Restricted for Debt Service	44,431,755	39,770,538	4,661,217	11.72%
Unrestricted	<u>33,391,109</u>	<u>36,648,145</u>	<u>(3,257,036)</u>	<u>-8.89%</u>
Total Net Position	<u>\$ 92,674,333</u>	<u>\$ 91,372,313</u>	<u>\$ 1,302,020</u>	<u>1.42%</u>

LAFAYETTE PUBLIC POWER AUTHORITY
Lafayette, Louisiana

Management's Discussion and Analysis (Continued)
October 31, 2020

The table below provides a summary of revenues and expenses for the year ended October 31, 2020 and October 31, 2019.

Table 2
Condensed Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended October 31, 2020 and 2019

Revenue Category	2020		2019	
	Amount	% of Total	Amount	% of Total
Energy Sales	\$ 37,491,409	99.16%	\$ 47,202,751	97.85%
Non-Operating Revenues	317,785	0.84%	1,035,324	2.15%
Total Revenues	37,809,194	100.00%	48,238,075	100.00%
Expense Category	2020		2019	
Fuel (coal and gas)	19,288,183	52.83%	27,808,740	63.66%
Production (O&M) *Calculation*	9,312,359	25.51%	8,088,697	18.52%
Administrative & General	2,744,099	7.52%	2,793,275	6.39%
Depreciation	2,354,239	6.45%	2,314,996	5.30%
Other Non-Operating Expenses	2,808,294	7.69%	2,680,674	6.14%
Total Expenses	36,507,174	100.00%	43,686,382	100.00%
Increase in net position	1,302,020		4,551,693	
Net position, November 1	91,372,313		86,820,620	
Net position, October 31	\$ 92,674,333		\$ 91,372,313	

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 2020, LPPA had \$123.5 million (net of depreciation) invested in capital assets. The electric plant represents 91% of the gross capital assets. Other assets include land, coal cars, and construction in progress.

Long-Term Debt

At October 31, 2020, LPPA had \$79.2 million of outstanding bonded debt comprised of \$44.9 million of (2012 series) Electric Revenue Series Bonds, \$26.4 million of (2015 series) Electric Revenue Refunding Series Bonds, and unamortized premiums of \$7.9 million. See note 6 in the Financial Report.

LAFAYETTE PUBLIC POWER AUTHORITY
Lafayette, Louisiana

Management's Discussion and Analysis (Continued)
October 31, 2020

As of October 31, 2020, 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 2021 Budget includes a decrease of \$4.7 million in billed revenue to the City of Lafayette Utilities System (LUS). This change is due to the planned major outage which included Turbine/Generator major inspection, replacement of Low-Pressure Turbine Blades and other major and routine projects. This outage began on September 20, 2020 and ended on December 28, 2020. The capital costs include low-pressure blade replacement, low-pressure heater replacement, boiler insulation replacement, and other capital improvement projects. Debt service costs had no significant difference in the Fiscal Year 2021 budget as compared to Fiscal Year 2020.

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. Due to the nature of the relationship between LPPA and LUS, the impact of COVID-19 was minimal. 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 2021 budget, electric retail kWh sales were budgeted with an increase in load growth of 0.2% over Fiscal Year 2020 to account for relatively flat 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 2020 to Fiscal Year 2021.

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 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 2021, LPPA's kWh generation represents 49% 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, 2020 and 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and interest-bearing deposits	\$ 3,161,385	\$ 4,131,949
Investments	14,000,000	19,000,000
Accounts receivable	2,184	37,306
Due from Lafayette Utilities System	265,755	-
Inventory	12,588,598	11,932,477
Preliminary survey/investigation costs	350,453	278,743
Total current assets	30,368,375	35,380,475
NONCURRENT ASSETS		
Restricted assets:		
Cash and interest-bearing deposits	168,828	741,078
Investments	19,156,203	18,637,234
Accrued interest receivable	26,466	75,843
Total restricted assets	19,351,497	19,454,155
Capital assets:		
Land	201,964	201,964
Construction in progress	7,534,760	9,525,591
Utility plant and equipment, net	115,737,471	112,057,382
Total capital assets, net	123,474,195	121,784,937
Total noncurrent assets	142,825,692	141,239,092
Total assets	173,194,067	176,619,567
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on bond refunding	1,757,291	1,852,626
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	1,475,626	2,271,337
Contracts payable	1,563,368	405,497
Due to primary government	1,668	2,201
Due to Lafayette Utilities System	-	959,317
Total	3,040,662	3,638,352
NONCURRENT LIABILITIES		
Revenue bonds payable	71,325,000	74,940,000
Unamortized premium	7,911,363	8,521,528
Total noncurrent liabilities	79,236,363	83,461,528
Total liabilities	82,277,025	87,099,880
NET POSITION		
Net investment in capital assets	44,431,755	39,770,538
Restricted for debt service	14,851,469	14,953,630
Unrestricted	33,391,109	36,648,145
Total net position	\$ 92,674,333	\$ 91,372,313

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, 2020 and 2019

	2020	2019
Operating revenues:		
Charges for services	<u>\$ 37,491,409</u>	<u>\$ 47,202,751</u>
Operating expenses:		
Production	28,437,953	35,738,035
Transmission	162,589	159,402
Administration and general	2,744,099	2,793,275
Depreciation	<u>2,354,239</u>	<u>2,314,996</u>
Total operating expenses	<u>33,698,880</u>	<u>41,005,708</u>
Operating income	<u>3,792,529</u>	<u>6,197,043</u>
Nonoperating revenues (expenses):		
Interest income	317,785	1,035,324
Interest expense	(2,792,626)	(2,871,366)
Gain on disposal of capital assets	-	73,948
Unrealized gain (loss) on investments	<u>(15,668)</u>	<u>116,744</u>
Total nonoperating revenues (expenses)	<u>(2,490,509)</u>	<u>(1,645,350)</u>
Change in net position	1,302,020	4,551,693
Net position, beginning	<u>91,372,313</u>	<u>86,820,620</u>
Net position, ending	<u>\$ 92,674,333</u>	<u>\$ 91,372,313</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, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 37,491,409	\$ 47,202,751
Payments to suppliers for goods and services	(33,645,024)	(42,037,771)
Payments to employees and for employee related costs	<u>(413,642)</u>	<u>(437,879)</u>
Net cash provided by operating activities	<u>3,432,743</u>	<u>4,727,101</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on bonds	(3,615,000)	(3,530,000)
Interest paid	(3,307,455)	(3,386,206)
Purchase and construction of capital assets	<u>(2,901,295)</u>	<u>(1,786,815)</u>
Net cash used by capital and related financing activities	<u>(9,823,750)</u>	<u>(8,703,021)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	343,193	1,013,331
Sales (purchases) of investments	<u>(1,889,563)</u>	<u>11,631,137</u>
Net cash provided (used) by investing activities	<u>(1,546,370)</u>	<u>12,644,468</u>
Net increase (decrease) in cash and cash equivalents	(7,937,377)	8,668,548
Cash and cash equivalents, beginning of the year	<u>34,963,982</u>	<u>26,295,434</u>
Cash and cash equivalents, end of the year	<u>\$ 27,026,605</u>	<u>\$ 34,963,982</u>

(continued)

LAFAYETTE PUBLIC POWER AUTHORITY
Lafayette, Louisiana

Statements of Cash Flows (Continued)
For the Years Ended October 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 3,792,529	\$ 6,197,043
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,354,239	2,314,996
Change in assets and liabilities:		
Accounts receivable	35,122	(5,582)
Inventory	(656,121)	(6,727,202)
Prepaid expenses	(71,710)	1,896,820
Accounts payable	(795,711)	2,271,337
Due to other governments	<u>(1,225,605)</u>	<u>(1,220,311)</u>
Net cash provided by operating activities	<u>\$ 3,432,743</u>	<u>\$ 4,727,101</u>
Noncash investing, capital and financing activities:		
Increase (decrease) in fair value of investments	<u>\$ (15,668)</u>	<u>\$ 116,744</u>
Gain on disposal of capital assets	<u>\$ -</u>	<u>\$ 73,948</u>
Cash and cash equivalents, beginning 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	<u>(7,546,279)</u>	<u>(19,080,581)</u>
Total	<u>34,963,982</u>	<u>26,295,434</u>
Cash and cash equivalents, end of period		
Cash - unrestricted	3,161,385	4,131,949
Investments - unrestricted	14,000,000	19,000,000
Cash - restricted	168,828	741,078
Investments - restricted	19,156,203	18,637,234
Less: Investments with maturity in excess of 90 days	<u>(9,459,811)</u>	<u>(7,546,279)</u>
Total	<u>27,026,605</u>	<u>34,963,982</u>
Net increase (decrease)	<u>\$ (7,937,377)</u>	<u>\$ 8,668,548</u>

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 I50 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 \$8,999,821 representing 282,082 tons at October 31, 2020 and \$8,624,290 representing 240,868 tons at October 31, 2019.

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 \$3,588,777 and \$3,308,187 at October 31, 2020 and 2019, 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
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Notes to the Basic Financial Statements (Continued)

At October 31, 2020, the Authority had demand deposits (book balances) totaling \$3,330,213, as follows:

Interest-bearing deposits	<u>\$ 3,330,213</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, 2020, are secured as follows:

Bank balances	<u>\$ 3,330,213</u>
Federal deposit insurance	250,000
Pledged securities	<u>3,080,213</u>
Total federal deposit insurance and pledged securities	<u>\$ 3,330,213</u>

Deposits in the amount of \$3,080,213 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, 2020 and 2019, the Authority's investments were as follows:

Description	2020	2019
Repurchase agreements	\$ 14,000,000	\$ 19,000,000
U.S. Instrumentalities	<u>19,156,203</u>	<u>18,637,234</u>
Total investments	<u>\$ 33,156,203</u>	<u>\$ 37,637,234</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, 2020:		Investment Maturities		
<u>Investment Type</u>	<u>% of Portfolio</u>	<u>Fair Value</u>	<u>Less Than One Year</u>	<u>One - Five Years</u>
Repurchase agreements	42%	\$ 14,000,000	\$ 14,000,000	\$ -
U.S. Instrumentalities	58%	19,156,203	10,629,474	8,526,729
Total	100%	<u>\$ 33,156,203</u>	<u>\$ 24,629,474</u>	<u>\$ 8,526,729</u>

October 31, 2019:		Investment Maturities		
<u>Investment Type</u>	<u>% of Portfolio</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%	<u>\$ 37,637,234</u>	<u>\$ 37,637,234</u>	<u>\$ -</u>

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>2020</u>	<u>2019</u>
AA+	\$ 19,156,203	\$ 18,637,234
Not rated	14,000,000	19,000,000
	<u>\$ 33,156,203</u>	<u>\$ 37,637,234</u>

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, 2020 and 2019, 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>2020</u>	<u>2019</u>
Bond reserve fund	\$ 9,568,118	\$ 9,669,705
Capital additions and contingencies	5,283,351	5,283,925
Fuel cost stability fund	4,500,028	4,500,525
Total	<u>\$ 19,351,497</u>	<u>\$ 19,454,155</u>

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, 2020 was as follows:

	Balance 11/1/2019	Additions	Deletions	Balance 10/31/2020
Capital assets not being depreciated:				
Land	\$ 201,964	\$ -	\$ -	\$ 201,964
Construction in progress	9,525,591	4,684,145	6,674,976	7,534,760
Other capital assets:				
Production plant	222,796,709	5,967,502	-	228,764,211
General plant	2,531,253	66,826	-	2,598,079
Coal cars	15,177,701	-	-	15,177,701
Totals	250,233,218	10,718,473	6,674,976	254,276,715
Less accumulated depreciation	128,448,281	2,354,239	-	130,802,520
Capital assets, net	<u>\$ 121,784,937</u>	<u>\$ 8,364,234</u>	<u>\$ 6,674,976</u>	<u>\$ 123,474,195</u>

Depreciation expense charged to operations for the years ended October 31, 2020 and 2019 was \$2,354,239 and \$2,314,996, 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	\$ 7,507,967	\$ 30,880	\$ 7,462,331	\$ 14,756
Bond proceeds-				
Electric plant	72,429	-	72,429	-
Total	<u>\$ 7,580,396</u>	<u>\$ 30,880</u>	<u>\$ 7,534,760</u>	<u>\$ 14,756</u>

(6) Electric Revenue Bonds

The following is a summary of the electric revenue bonds transactions for the year ended October 31, 2020:

Issue	Balance 11/1/2019	Additions	Deletions	Balance 10/31/2020	Due Within One Year
Series 2012	\$ 47,705,000	\$ -	\$ 2,770,000	\$ 44,935,000	\$ -
Series 2015	27,235,000	-	845,000	26,390,000	-
	<u>\$ 74,940,000</u>	<u>\$ -</u>	<u>\$ 3,615,000</u>	<u>\$ 71,325,000</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, 2020 and 2019 are as follows:

Purpose	Interest Rate	Issue Date	2020	2019
Electric Revenue Serial				
Bonds Series 2012	3.00% - 5.00%	12/21/12	\$ 44,935,000	\$ 47,705,000
Electric Revenue Refunding Serial				
Bonds Series 2015	2.00% - 5.00%	11/13/15	<u>26,390,000</u>	<u>27,235,000</u>
Total principal outstanding			71,325,000	74,940,000
Add: unamortized premium			<u>7,911,363</u>	<u>8,521,528</u>
Net revenue bonds outstanding			<u>\$ 79,236,363</u>	<u>\$ 83,461,528</u>

Revenue bond debt service requirements to maturity are as follows:

Year Ended October 31	Principal	Interest	Total
2021	\$ -	\$ 1,585,653	\$ 1,585,653
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	4,245,000	2,580,131	6,825,131
2026 - 2030	27,635,000	9,454,969	37,089,969
2031 - 2033	<u>27,730,000</u>	<u>1,835,030</u>	<u>29,565,030</u>
	<u>\$ 71,325,000</u>	<u>\$ 24,256,701</u>	<u>\$ 95,581,701</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
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Notes to the Basic Financial Statements (Continued)

The following is a reconciliation of net income with billings for the years ended October 31, 2020 and 2019:

	2020	2019
Billing charges not treated as expenses for accounting purposes:		
Net capital expenses (credits)	\$ 4,043,497	\$ 2,632,557
Principal (net of coal cars)	3,615,000	3,530,000
Accounting expenses not treated as charges for billing purposes:		
Depreciation (net)	(2,354,239)	(2,314,996)
Amortization of bond premium	610,165	609,903
Amortization of loss on bond refunding	(95,335)	(95,063)
Professional services	(1,400)	(1,400)
Unrealized gain (loss) on investments	(15,668)	116,744
Gain on disposal of capital assets	-	73,948
Other	(4,500,000)	-
Net income	\$ 1,302,020	\$ 4,551,693

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 (2020 collections \$37,491,409) are pledged and dedicated to the retirement of the bonds with outstanding principal and interest balances in the amount of \$71,325,000 and \$24,256,701, respectively. Such revenues consist 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
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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 July 16, 2020, the Authority entered into a five-month contract with Peabody Coal Sales, LLC to purchase 113,400 tons at \$9.65 per ton which expires on December 31, 2020.

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

<u>Fiscal Year</u>	<u>Contract Quantity</u>	<u>Committed Cost</u>	<u>Purchase Commitment</u>
2020	<u>113,400</u>	<u>\$ 9.65</u>	<u>\$ 1,094,310</u>

As of October 31, 2020, the Authority purchased 113,400 tons, of the 113,400-ton contract requirements at \$9.65 per ton for a total cost of \$1,094,310. There were no remaining outstanding commitments on this contract as of October 31, 2020.

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. All environmental permits necessary for the operation of its electric power generation facility has been obtained, and management believes all regulations and environmental laws to be in compliance. 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 following operating permits and plans are required for operation of the power plant.

- Title V Permit,
- Title IV Permit,
- LA Pollutant Discharge Elimination System (LPDES) Permit
- Solid Waste Standard, Type I Permits
- Radioactive Material License
- Spill Prevention Control and Countermeasure Plan
- Facility Response Plan
- Hazardous Waste Generator Permit

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

EPA finalized the Cross-State Air Pollution Rule (CSAPR) to replace the Clean Air Interstate Rule (CAIR) on July 6, 2011. This rule was designed 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. However, 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 and extended its 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, this rule reduced summertime (May - September) nitrogen oxides (NO_x) emissions from power plants in 22 states in the eastern U.S., including Louisiana.

The Environmental Protection Agency (EPA) has proposed and adopted the Clean Air Act (CAA) relevant to the emissions of sulfur dioxide (SO₂) and nitrogen oxide (NO_x) from generating units. The CAA established the Acid Rain Program to address the effects of acid rain and imposed restrictions on SO₂ emissions from generating units. The CAA requires electric 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. All generating units have sufficient allowances for operations and expects to have sufficient allowances operations in the foreseeable future under the Acid Rain Program. The Authority assist with operating below SO₂ emission limits of the air permit by burning low sulfur coal (0.7 lbs/MMBtu).

In 1999, the EPA announced a major effort to improve air quality in the national parks and wilderness areas. The Regional Haze Rule requires existing large stationary emissions sources such as electric generation units (coal-fired) to install BART (Best Achievable Retrofit Technology) to improve the visibility of National Parks and Wilderness areas designated as Class I areas. BART would control particulate matter, SO₂ and NO_x emissions. In 2012, EPA issued a final notice allowing states participating in the CSPAR program to use those programs instead of source specific BART to meet the requirements. In February of 2017, the Louisiana Department of Environmental Quality (LDEQ) submitted to the EPA a proposed SIP (State Implementation Plan) indicating how BART-applicable electric generating units in Louisiana would comply with the requirements. EPA approved the SIP and posted in the federal registry on December 21, 2017 with the effective date of January 22, 2018.

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

The Authority's meets this rule with the continued operation of the existing dry sorbent injection system (DSI) with increased reagent injection in order to meet the 30-day rolling basis as indicated on the SIP for the Authority's generation unit.

The EPA on February 16, 2012 adopted this final rule 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 16, 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. The Authority meets compliance of this rule as a dry absorbent injection system for acid gas control, a fabric filter bag house for metallic particulate control and ID booster fan was install on unit.

The Wastewater Effluent Standard was an existing standard found by EPA to not adequately address the pollutants being discharged and have not kept pace with changes for the steam electric power generating effluent. In 2009 EPA proposed more stringent limits for new metals and parameters for individual wastewater streams generated by steam electric power plants, with emphasis on coal-fired power plants. On September 30, 2015, the EPA finalized the new Effluent guidelines (ELG) for coal-fired steam electric plants, with portions being postponed and re-issued in November of 2019 as Proposed Revisions to the Steam ELGs. This rule established new requirements for power plant wastewater streams including flue gas desulfurization (FGD), fly ash, bottom ash, flue gas mercury control and gasification of fuels such as coal and petroleum coke. In September of 2017, EPA postponed the compliance dates for the new standards pertaining to two streams, FGD wastewater and bottom ash transport water, for two years to provide additional time for EPA to review and reconsider the rule. The remaining wastewater streams (fly ash transport water and flue gas mercury control wastewater) became effective on November 1, 2018. On November 22, 2019 EPA issued the 2019 Proposed Revision to the ELG rule for FGD wastewater and for bottom ash transport water. The deadline for compliance are proposed for December 31, 2023 for bottom ash transport and December 31, 2025 for FGD wastewater, with options for plants that have retirement plans or opt into stricter controls. The Authority is working with the other joint owners to establish the best option for the long-term compliance.

EPA finalized the Coal Combustion Residue (CCR) Rule on December 19, 2014 and was published on April 17, 2015. The rule establishes technical requirement for CCR landfills and surface impoundments. The rule also redefines the beneficial use and disposal standards. This includes classifying coal ash as solid waste rather than hazardous waste. On June 14, 2016, the court vacated and removed certain provisions including "early closure" provisions. In July of 2016 in response to the vacatur, certain deadlines were extended for inactive sites.

LAFAYETTE PUBLIC POWER AUTHORITY
Lafayette, Louisiana

Notes to the Basic Financial Statements (Continued)

In 2018, amendments were implemented regarding groundwater monitoring standards and requirements for closure where surface impoundments do not meet groundwater protection standards. EPA's proposed revision to the CCR Rule was published on August 14, 2019 and revises the beneficial use rules. The final rule establishes minimum national criteria for CCR landfills; surface impoundments; and all lateral expansions of CCR units. The Authority has made the appropriate filings, while performing necessary monitoring as required by the rule.

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. June of 2019, the EPA repealed the CPP and simultaneously finalized the Affordable Clean Energy (ACE) rule. The approach to the ACE rule was to establish guidelines for states to develop plans to address GHG emissions from existing coal-fired power plants. The rule allows states three years to develop a state plan, while allowing EPA another year to complete state submittal.

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.

C. Asset Retirement

The Authority's owners agreed during the fiscal year to close the coal combustion and residuals (CCR) ponds for Rodemacher Unit 2 and the Brame Energy Center. The Authority anticipates that the Rodemacher Unit 2 will cease operations by October 2028 through retirement or conversion to alternative fuels such as natural gas. The cost associated with this decision has not been determined; therefore, an asset retirement obligation has not been recorded in the financial statements as of October 31, 2020.

(9) Litigation

There is no litigation pending against the Authority at October 31, 2020.

(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.

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

(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.

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, 2020 and 2019:

Description	October 31, 2020			
	Total	(Level 1)	(Level 2)	(Level 3)
U.S. Instrumentalities	\$ 19,156,203	\$ -	\$ 19,156,203	\$ -

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

LAFAYETTE PUBLIC POWER AUTHORITY
Lafayette, Louisiana

Notes to the Basic Financial Statements (Continued)

(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, 2020 and 2019 amounted to \$98,641 and \$98,616, respectively. As of October 31, 2020 and 2019, the Authority owed Lafayette Consolidated Government \$1,668 and \$2,201, 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, 2020 and 2019 amounted to \$471,979 and \$413,642, respectively. As of October 31, 2020 and 2019, the Authority owed LUS \$471,979 and \$413,642, respectively.

The Authority sells electric power to LUS. Amounts billed to LUS for electric power sales for the years ended October 31, 2020 and 2019 were \$37,491,409 and \$47,202,751 respectively. As of October 31, 2020, LUS owed the Authority \$737,734. As of October 31, 2019, the Authority owed LUS \$545,675.

(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, Joshua S. Guillory, Mayor-President of Lafayette Consolidated Government, did not receive compensation, benefits, or other payments from the Authority for the year ended October 31, 2020.

SUPPLEMENTARY INFORMATION

LAFAYETTE PUBLIC POWER AUTHORITY
Lafayette, Louisiana

Schedule of Changes in Restricted Assets
For the Year Ended October 31, 2020

	Bond Principal and Interest Fund	Bond Reserve Fund	Reserve and Contingency Fund	Fuel Cost Stability Fund	Total
Restricted cash, October 31, 2019	\$ -	\$ 648,028	\$ 88,535	\$ 4,515	\$ 741,078
Interest received	8,168	213,223	33,624	29,097	284,112
Cash disbursements:					
Transfer from (to) investments	-	(562,945)	(4,988)	(4,317)	(572,250)
Transfers among funds:					
Transfer from Revenue Fund	6,922,456	-	-	-	6,922,456
Transfers to Escrow	(6,922,456)	-	-	-	(6,922,456)
Transfers to Revenue Fund - interest	<u>(8,168)</u>	<u>(213,223)</u>	<u>(33,624)</u>	<u>(29,097)</u>	<u>(284,112)</u>
Restricted cash, October 31, 2020	<u>-</u>	<u>85,083</u>	<u>83,547</u>	<u>198</u>	<u>168,828</u>
Restricted investments and accrued interest, October 31, 2019	-	9,021,677	5,195,390	4,496,010	18,713,077
Maturities of investments	-	(8,920,000)	(5,200,000)	(4,500,000)	(18,620,000)
Purchases of investments	-	9,459,675	5,204,313	4,503,733	19,167,721
Decrease in accrued interest receivable	-	(49,377)	-	-	(49,377)
Decrease in fair value	-	(15,446)	(119)	(103)	(15,668)
Net increase (decrease) in unamortized premium/discount	<u>-</u>	<u>(13,494)</u>	<u>220</u>	<u>190</u>	<u>(13,084)</u>
Restricted investments and accrued interest, October 31, 2020	<u>-</u>	<u>9,483,035</u>	<u>5,199,804</u>	<u>4,499,830</u>	<u>19,182,669</u>
Total restricted cash, investments, and accrued interest, October 31, 2020	<u>\$ -</u>	<u>\$ 9,568,118</u>	<u>\$ 5,283,351</u>	<u>\$ 4,500,028</u>	<u>\$ 19,351,497</u>

LAFAYETTE PUBLIC POWER AUTHORITY
Lafayette, Louisiana

Schedules of Operating Expenses
For the Years Ended October 31, 2020 and 2019

	2020	2019
Operating expenses:		
Production -		
Steam power generation - operation:		
Supervision	\$ 256,645	\$ 261,805
Fuel expense	19,288,183	27,808,740
Steam expense	942,608	854,068
Electric expense	876,972	805,457
Miscellaneous	998,204	650,923
Total	22,362,612	30,380,993
Steam power generation - maintenance		
Supervision and engineering	406,870	506,899
Structures	141,069	360,289
Boiler plant	2,959,035	3,502,107
Electric plant	1,760,977	179,494
Miscellaneous steam plant	807,390	808,253
Total	6,075,341	5,357,042
Total production	28,437,953	35,738,035
Transmission -		
Load dispatching expenses	162,589	159,402
Administrative and general -		
Administrative and general salaries	406,741	344,522
Miscellaneous general expenses	153,892	156,971
Administrative and general expenses	1,578,920	1,577,110
Outside services employed	110,147	52,473
Paying agent fees	22,835	23,712
Property insurance	471,564	638,487
Total administrative and general	2,744,099	2,793,275
Depreciation	2,354,239	2,314,996
Total operating expenses	\$ 33,698,880	\$ 41,005,708

INTERNAL CONTROL, COMPLIANCE

AND

OTHER MATTERS

KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA*
Brad E. Kolder, CPA, JD*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
Arthur R. Mixon, CPA*
Stephen J. Anderson, CPA*
Christine C. Doucet, CPA
Wanda F. Arcement, CPA
Bryan K. Joubert, CPA
Matthew E. Margaglio, CPA
Casey L. Ardoin, CPA, CFE

183 S. Beadle Rd.
Lafayette, LA 70508
Phone (337) 232-4141

11929 Bricksome Ave.
Baton Rouge, LA 70816
Phone (225) 293-8300

1428 Metro Dr.
Alexandria, LA 71301
Phone (318) 442-4421

450 E. Main St.
New Iberia, LA 70560
Phone (337) 367-9204

200 S. Main St.
Abbeville, LA 70510
Phone (337) 893-7944

1201 David Dr.
Morgan City, LA 70380
Phone (985) 384-2020

434 E. Main St.
Ville Platte, LA 70586
Phone (337) 363-2792

332 W. Sixth Ave.
Oberlin, LA 70655
Phone (337) 639-4737

Victor R. Slaven, CPA* - retired 2020

* A Professional Accounting Corporation

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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, 2020, 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 19, 2021.

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) as a basis for designing 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 19, 2021

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, 2020

Part I. 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.