

**OFFICIAL  
FILE COPY**  
**DO NOT REMOVE**

When necessary  
check date this  
copy and PLACE  
HERE IN FILE

RECEIVED  
OCT 11 1907  
88700-6 01 5:20

LAFAYETTE PUBLIC POWER AUTHORITY  
A COMPONENT UNIT OF THE CONSOLIDATED  
GOVERNMENT OF LAFAYETTE, LOUISIANA

ANNUAL FINANCIAL REPORT

OCTOBER 31, 1997 and 1996

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 6-19-98

LAFAYETTE PUBLIC POWER AUTHORITY

CONTENTS

	<u>PAGE</u>
<b>INDEPENDENT AUDITORS' REPORT</b> . . . . .	<b>2</b>
<b>GENERAL PURPOSE FINANCIAL STATEMENTS</b>	
Balance Sheets . . . . .	3
Statements of Revenues, Expenses and Changes in Retained Earnings . . . . .	4
Statements of Cash Flows . . . . .	5
Notes to Financial Statements . . . . .	6-14
<b>SUPPORTING SCHEDULES</b>	
Schedule of Changes in Restricted Assets . . . . .	14
Schedule of Operating Expenses . . . . .	17
<b>REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH GOVERNMENT ACCOUNTING STANDARDS</b> . . . . .	<b>18</b>

# WRIGHT, MOORE, DEHART, DUPUIS & HUTCHINSON

Certified Public Accountants

P. O. Box 15548 • 114 Rockefeller Row

Lafayette, Louisiana 70505-0548

PHONE 337-237-3317 • TELETYPE 337-237-3317 • FAX 337-237-3317

LELAND S. CHAPPELL, CPA

CHRISTY L. BARKLEY, CPA

BRYAN J. MORTON, CPA

DON G. CARTER, CPA

JOHN W. WRIGHT, CPA  
LE TERRY WOODS, CPA  
MICHAEL S. DEHART, CPA, CMA  
JAMES H. DUPUIS, CPA, CHA  
BOB E. HUTCHINSON, CPA  
AND H. CONWAY, CPA  
BRUNARD C. COLEMAN, CPA, CHA

## INDEPENDENT AUDITORS' REPORT

Lafayette, Louisiana

To The Board of Commissioners  
Lafayette Public Power Authority  
Lafayette, Louisiana

We have audited the accompanying general purpose financial statements of the Lafayette Public Power Authority, a component unit of the Consolidated Government of Lafayette, Louisiana, as of October 31, 1993 and 1994, and for the years then ended. These financial statements are the responsibility of the Lafayette Public Power Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States and the provisions of Louisiana Revised Statutes 24:111 and the Louisiana Governmental Audit Guide. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Lafayette Public Power Authority, a component unit of the Consolidated Government of Lafayette, Louisiana, as of October 31, 1993 and 1994, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Lafayette Public Power Authority. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

*Wayne S. Hutchinson*  
Wayne S. Hutchinson  
WRIGHT, MOORE, DEHART,  
DUPUIS & HUTCHINSON  
Lafayette, Louisiana

January 8, 1995



**LAFAYETTE PUBLIC POWER AGENCY**  
**A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT**  
**OF LAFAYETTE, LOUISIANA**

**BALANCE SHEETS**  
**OCTOBER 31, 1987 AND 1986**

	<u>1987</u>	<u>1986</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 3,477,801	\$ 4,488,963
Accounts Receivable		
Due from the Lafayette Consolidated		
Government-Power Sales	-	279,872
Other Accounts Receivable	12,847	21,881
Inventory	7,857,428	8,284,883
Prepaid Insurance	3,322	3,433
Total Current Assets	<u>21,215,428</u>	<u>23,118,122</u>
<b>RESTRICTED ASSETS</b>		
Cash with Paying Agent	12,542,478	10,829,787
Cash		
Bond Reserves	79,378	214,637
Reserve and Contingency	8,881	499,148
Fuel Cost Stability	21,853	2,264,889
Bond Principal and Interest	-	42
Governmental (Ref of Unassigned Premiums		
and Accounts)		
Bond Reserves	15,156,810	18,809,028
Reserve and Contingency	2,488,813	893,598
Fuel Cost Stability	5,482,939	2,248,171
ACCUMULATED INTEREST RECEIVABLE		
Bond Reserves	121,877	122,198
Reserve and Contingency	16,148	19,228
Fuel Cost Stability	42,218	22,422
Total Restricted Assets	<u>28,260,523</u>	<u>23,488,732</u>
<b>DEFERRED CHARGES</b>		
Cash to be Recovered Through		
Future Billings	21,261,774	22,943,241
UNRECOVERED DEBT EXPENSE	<u>257,242</u>	<u>1,248,888</u>
Total Deferred Charges	<u>21,519,016</u>	<u>24,192,129</u>
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Plant in Service	152,218,528	122,241,170
Construction in Process	<u>122,224</u>	<u>222,222</u>
	152,340,752	122,463,392
Less: Accumulated Depreciation	<u>123,214,421</u>	<u>127,488,228</u>
Net Property, Plant and Equipment	<u>29,126,331</u>	<u>29,275,164</u>
<b>TOTAL ASSETS</b>	<b><u>120,011,288</u></b>	<b><u>117,261,244</u></b>

The Accompanying Notes are an Integral Part of These Statements.

LAFAYETTE PUBLIC POWER ASSOCIATION  
 A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT  
 OF LAFAYETTE, LOUISIANA

BALANCE SHEETS  
 OCTOBER 31, 1997 AND 1996

	1997	1996
<b>LIABILITIES AND FUND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 738,176	\$ 3,814,969
Due to the Lafayette Consolidated Government	<u>382,842</u>	<u>214,088</u>
Total current liabilities	<u>\$ 1,121,018</u>	<u>\$ 4,029,057</u>
<b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>		
Accrued Interest Payable	3,888,378	3,544,787
Current Portion of Revenue Bonds Payable	<u>8,355,806</u>	<u>7,315,088</u>
Total current liabilities payable from restricted assets	<u>\$ 12,244,184</u>	<u>\$ 10,859,875</u>
<b>NONCURRENT LIABILITIES</b>		
Revenue Bonds Payable	148,808,800	138,148,000
Lease: Unamortized Discount	(1,888,897)	(2,105,981)
Lease: Unamortized Loss on Secured Debt	<u>(28,246,815)</u>	<u>(28,882,312)</u>
Total noncurrent liabilities	<u>118,673,108</u>	<u>107,159,707</u>
Total Liabilities	<u>131,998,216</u>	<u>122,048,639</u>
<b>FUND EQUITY</b>		
Retained Earnings-Reserved	<u>7,289,148</u>	<u>3,798,371</u>
Total Fund Equity	<u>\$ 7,289,148</u>	<u>\$ 3,798,371</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>		
	<u>\$139,287,364</u>	<u>\$125,847,010</u>

The Accompanying Notes are an Integral Part of These Statements.

**LAFAYETTE PUBLIC POWER AUTHORITY**  
**A COMPONENT PART OF THE CONSOLIDATED GOVERNMENT**  
**OF LAFAYETTE, LOUISIANA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN**  
**RETAINED EARNINGS**  
**FOR THE YEARS ENDED OCTOBER 31, 1997 AND 1998**

	1997	1998
<b>OPERATING REVENUES</b>		
Sales of Electric Energy-Lafayette Consolidated Government	\$12,328,311	\$12,378,262
<b>OPERATING EXPENSES</b>		
Production	28,587,878	27,485,122
Transmission	383,833	76,883
Administrative and General	2,898,902	2,088,987
Depreciation	8,810,378	8,995,482
Loss: Depreciation to be Recovered From Future Billings	<u>(128,844)</u>	<u>(128,844)</u>
Total operating expenses	38,558,135	38,775,881
Operating Income	<u>\$ 8,770,176</u>	<u>\$ 2,144,883</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Delayed Income	1,893,947	1,828,818
Interest Expense	(7,823,042)	(7,388,217)
Amortization of Debt Expenses	(88,541)	(87,818)
Amortization of Loss on reacquired Debt	(1,214,941)	11,588,723
Loss on Disposition of Fixed Assets	(888,788)	-
Costs Recovered Through Billings to Lafayette Consolidated Government	(7,711,932)	(8,728,813)
Costs to be Recovered through Future Billings to Lafayette Consolidated Government	<u>\$ 122,382</u>	<u>\$ 775,101</u>
Total Non-Operating Revenues (Expenses)	<u>12,122,324</u>	<u>11,825,614</u>
<b>NET INCOME (LOSS)</b>	<b>688,288</b>	<b>288,648</b>
<b>RETAINED EARNINGS, BEGINNING OF YEAR</b>	<u>7,328,172</u>	<u>7,422,122</u>
<b>RETAINED EARNINGS, END OF YEAR</b>	<u>\$ 8,016,460</u>	<u>\$ 7,710,770</u>

The Accompanying Notes are an Integral Part of These Statements.

**LAFAYETTE PUBLIC POWER AUTHORITY  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT  
OF LAFAYETTE, LOUISIANA**

**STATEMENTS OF CASH FLOW  
FOR THE YEARS ENDED OCTOBER 31, 1997 AND 1996**

	1997	1996
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Operating Income	\$ 8,970,116	\$ 8,136,682
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	8,489,638	8,438,798
Debt Service on Coal Cans in Inventory	1,238,890	2,238,891
Changes in Assets and Liabilities		
Accounts Receivable	288,938	688,739
Inventory	1,847,327	(288,883)
Prepaid Insurance	180	180
Accounts Payable	(1,208,793)	12,327,720
Due to Lafayette Consolidated Government	<u>378,748</u>	<u>681,710</u>
Net Cash Provided by Operating Activities	<u>12,628,842</u>	<u>18,326,120</u>
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from Issuance of Long-Term Debt	-	12,882,888
Borrow Fund Receipts	14,742	-
Principal Payments	(7,212,008)	(28,027,488)
Bond Costs Paid	-	(488,281)
Interest Paid	(7,543,167)	(9,381,389)
Purchase and Construction of Fixed Assets	<u>(227,188)</u>	<u>(482,882)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(12,868,513)</u>	<u>(13,477,872)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Investments-net	(2,282,832)	(4,312,380)
Interest Received	<u>1,812,412</u>	<u>2,728,280</u>
Net Cash Used in Investing Activities	<u>(4,470,420)</u>	<u>(1,584,100)</u>
<b>NET INCREASE IN CASH</b>	<b>(780,091)</b>	<b>(1,868,117)</b>
Cash-Beginning of Year (including restricted cash of \$14,318,421 and \$18,474,802 for 1997 and 1996, respectively)	<u>18,327,016</u>	<u>18,326,120</u>
Cash-End of Year (including restricted cash of \$12,641,678 and \$14,328,221 for 1997 and 1996, respectively)	<u>\$ 17,546,925</u>	<u>\$ 16,458,003</u>

The accompanying notes are an integral part of these statements.

**LAFAYETTE PUBLIC POWER AUTHORITY  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF  
LAFAYETTE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 1987 AND 1986**

**(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Reporting Entity - The Lafayette Public Power Authority (LPPA) 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 the Consolidated Government. The Consolidated Council of Lafayette is the governing authority, its Chief Executive Officer is the President of the Consolidated Government, its Managing Director is the Director of Utilities, and its Secretary is the 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. 1. The project is owned jointly by the Authority (58%), CLECO (30%) and LEPA (12%). The financial information contained in these statements is only that of the Lafayette Public Power 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 (58%) ownership interest in the fossil fuel steam electric generating plant.

The Lafayette Public Power Authority 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 the Consolidated Government of Lafayette, Louisiana. The accompanying statements present only transactions of the Authority, a component unit of the consolidated government of Lafayette, Louisiana.

Annually the Consolidated Government of Lafayette, Louisiana issues general purpose financial statements which should include presentation of the activities contained in the accompanying financial statements.

**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 26:817 and to the guidelines set forth in the Louisiana Governmental Accounting Guide. In certain instances, FERC regulations differed from generally accepted accounting principles. In those situations, LEPA followed the FERC guidance, as directed by law. However, amounts reported, according to FERC regulations, did not differ materially from GAAP.



LAFAYETTE PUBLIC POWER AUTHORITY  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF  
LAFAYETTE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 1987 AND 1986

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

**Basis of Accounting - continued**

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

**Cash to be Received from Future Billings -** The power sales contract with the City of Lafayette provides for billings to the City for output and services of the project to provide for payment of current operating expenses, payment of debt principal and interest (net service) and deposits in certain funds, all in compliance with the Bond restrictions. Net cash in excess of the amounts currently billable to the City are to be recovered from future project revenues and are classified as a deferred charge. These net costs principally include depreciation of the utility plant in excess of debt principal billed to the City and certain interest charges and credits not currently reflected in the billings to the City.

**Property and Equipment -** Property 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 and equipment is computed using the straight-line method over the expected service lives of the assets as follows:

	<u>YEARS</u>
Vehicles	5
Coal Cars	27
General Plant	48
Production Plant	25
Other	18

**Investments -** Marketable investment securities are carried at cost plus unamortized discount or minus unamortized premium unless there is a permanent impairment of value at which time the securities are valued at market. In the Authority's opinion, there is no indication of a permanent loss in value of the portfolio and there is no present intention to liquidate the securities at less than cost.

**Inventory -** Coal inventory is stated at the lower of cost or market as determined by the average cost method. Coal inventory amounted to \$4,312,444 representing 243,445 tons, and \$7,457,310 representing 273,842 tons at October 31, 1987 and 1986, respectively.

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 \$1,579,140 and \$1,447,443 at October 31, 1987 and 1986, respectively.

**LAFAYETTE PUBLIC POWER AUTHORITY**  
**A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF**  
**LAFAYETTE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 1997 AND 1996**

**(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Amortized Debt Expense** - Debt expense incurred at bond issuance is capitalized and amortized over the life of the bonds using the sum of the bonds outstanding method.

**Amortized Loss on Recaptured Debt** - Losses incurred upon refunding of debt are treated as deferred charges and amortized over the life of the new bonds issued. The 1989 and 1997 Refunding Issues are being amortized equally over the life of the new issue based on Federal Energy Regulatory Commission Regulations. The 1993 and 1994 loss amortizations were calculated on the Interest Method based on Present Value of Principal outstanding in accordance with GSAF Statement No. 33.

**Retained Earnings-Reserved** - Retained earnings-reserved are billings to the City which are deposited in the various accounts of the Authority and are subject to disposition in accordance with the provisions of the bond resolutions. Retained earnings have not been restricted for amounts in the bond retirement accounts because these funds were established with bond proceeds and not from earnings.

**Electric Revenue Bonds** - Bonds outstanding are stated at face value less unamortized discount and unamortized loss on recaptured debt. The discount is amortized over the life of the bonds using the sum of the bonds outstanding method.

**Salaries and Related Expenses** - The Authority reimburses the Consolidated Government for salaries, benefits and related expenses of Consolidated Government employees who perform duties for LPPA. The Authority does not accrue a liability for vacation and sick-time benefits because it has no employees of its own. The Authority is not liable for compensated absences of employees of the Consolidated Government or CLSCO who are associated with LPPA.

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

**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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**(B) INVESTMENTS AND DEPOSITS**

All bank balances of deposits as of the balance sheet date are entirely insured or collateralized with securities held by the Authority or by its agent in the Authority's name.

**LAFAYETTE PUBLIC POWER AUTHORITY**  
**A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF**  
**LAFAYETTE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 1997 AND 1996**

**(8) INVESTMENTS AND DEPOSITS - continued**

The Authority's investments are categorized to indicate the level of risk assumed as October 31, 1997 and 1996. Category 1 includes investments that are insured or for which the securities are held by the Authority's Agent in the Authority's name. All investments are Category 1 as October 31, 1997 and 1996.

<u>October 31, 1997</u>	<u>Carrying Value</u>	<u>Market Value of Underlying Securities</u>
<b>Investments stated at cost or amortized cost</b>		
Repurchase Agreements	\$ 3,000,000	\$ 3,000,000
U.S. Government Securities	<u>22,618,388</u>	<u>22,677,588</u>
	<u>\$25,618,388</u>	<u>\$25,677,588</u>
<u>October 31, 1996</u>	<u>Carrying Value</u>	<u>Market Value of Underlying Securities</u>
<b>Investments stated at cost or amortized cost</b>		
Repurchase Agreements	\$ 7,000,000	\$ 7,000,000
U.S. Government Securities	<u>12,848,731</u>	<u>12,928,831</u>
	<u>\$19,848,731</u>	<u>\$19,928,831</u>

The Authority is authorized to invest in the following:

1. Obligations of the United States Treasury, agencies and instrumentalities and the State of Louisiana, all of which are insured by the issuer.
2. Public Housing Bonds and Project Notes of public agencies and municipalities fully insured as to payment.
3. General obligation bonds which are nationally rated in the two highest categories.
4. Certificates of deposit which are insured by any of the above.

**(9) FLOW OF FUNDS: RESTRICTIONS ON USE**

Under the terms of the ordinance authorizing and providing for the issuance of certain revenue bonds of the Authority to finance the acquisition of an ownership interest in a Small 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. Such revenues consist of all income, fees, charges, receipts, profits, and other money derived by the Authority from its ownership and operation of the Small Fuel steam electric generating plant, other than certain money derived during the period of

**LAFAYETTE PUBLIC POWER AUTHORITY  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF  
LAFAYETTE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 1997 AND 1996**

**(C) FLOW OF FUNDS: RESTRICTIONS ON USES - continued**

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 reserves and contingency fund an amount equal to \$1,000,000 or such greater amount as may be determined by the consulting engineer; provided that there shall not be required to be paid thereon 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 for 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 cooperation with the plant operation, or (v) to any other lawful purpose of the Authority, including the payment of subordinated indebtedness.

The fuel cost stability fund was established to allow level billings to the 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.

**(D) PROPERTY AND EQUIPMENT**

A summary of property and equipment at October 31, 1997 and 1996, was as follows:

	1997	1996
Vehicles	\$ 744,897	\$ 744,897
Coal Cars	14,561,638	14,561,638
Electric Plant	107,258,941	107,258,941
Land	201,899	201,899
Construction in Progress	140,218	583,218
Less: Accumulated Depreciation	<u>(77,214,421)</u>	<u>(67,843,263)</u>
	<u>\$ 80,208,272</u>	<u>\$ 81,677,137</u>

**LAKEVIEW PUBLIC POWER AUTHORITY  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF  
LAKEVIEW, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 1997 AND 1996**

**(B) ELECTRIC REVENUE BONDS**

The Authority issues bonds when 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, 1997 and 1996, are as follows:

	ISSUED	ISSUE DATE	1997	1996
Electric Revenue Refunding Serial Bonds Series 1995	8,000-8,000	10/01/95	\$ -	\$ 2,175,000
Electric Revenue Refunding Serial Bonds Series 1997	4,000-4,000	03/01/97	7,260,000	7,900,000
Electric Revenue Refunding Serial Bonds Series 1993	3,000-3,000	12/01/93	81,740,000	88,000,000
Electric Revenue Refunding Term Bonds Series 1993	3,000	12/01/93	18,400,000	18,400,000
Electric Revenue Refunding Serial Bonds Series 1996	3,700-4,000	08/01/96	<u>33,350,000</u>	<u>33,310,000</u>
Total Principal Outstanding on Revenue Bonds			139,750,000	145,475,000
Unamortized Bond Discount			(1,804,897)	(2,100,803)
Unamortized loss on Refunding			<u>(28,228,672)</u>	<u>(12,661,313)</u>
Net Revenue Bonds Outstanding			<u>\$109,716,431</u>	<u>\$130,712,884</u>

Revenue bond debt service requirements to maturity are as follows:

Years Ending October 31	Principal	INTEREST	TOTAL
1998	\$ 8,000,000	\$ 7,794,618	\$ 15,794,618
1999	8,700,000	7,384,343	16,084,343
2000	9,300,000	6,901,889	16,201,889
2001	9,900,000	6,479,183	16,379,183
2002	8,400,000	6,021,293	14,421,293
2003-2007	45,810,000	25,820,804	71,630,804
2008-2010	<u>88,813,000</u>	<u>18,575,643</u>	<u>107,388,643</u>
	<u>\$142,823,000</u>	<u>\$82,272,643</u>	<u>\$225,095,643</u>

**LAFAYETTE PUBLIC POWER AUTHORITY**  
**A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF**  
**LAFAYETTE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 1997 AND 1998**

**(E) ELECTRIC REVENUE BONDS - continued**

**Five Year Refunding**

On September 5, 1996, the Authority issued \$58,918,688 in Electric Revenue Refunding Bonds dated August 1, 1996. The bond proceeds were used to refund in advance of maturity \$48,822,800 of the 1987 Series Electric Revenue Refunding Bonds. All outstanding 1987 bonds, which were defeased by the 1996 refunding issue, were called on November 1, 1997. Therefore, no bonds refunded by the 1996 issue are still outstanding.

The 1996 refunding resulted in a loss of \$1,419,818 which is being amortized over the life of the newly issued bonds. The balance of unamortized loss at October 31, 1997 and 1998, was \$1,712,983 and \$3,087,541. The loss amortization for the 1997 and 1998 fiscal year was \$389,208 and \$362,483, respectively.

On December 14, 1993, the Authority issued \$112,929,900 in Electric Revenue Refunding Bonds dated December 1, 1993. The bond proceeds were used to refund in advance of maturity, \$77,718,000 of its 1977 Series Bonds, \$3,518,000 of the Series 1980 Refunding Bonds, and \$31,693,900 Series 1987 Refunding Bonds. All outstanding 1977 and 1980 Bonds were called on February 1, 1994. All 1987 bonds which were defeased by the 1993 refunding issue were called on November 1, 1997. Therefore, no bonds refunded by the 1993 issue are still outstanding.

The 1993 refunding resulted in a loss of \$4,473,648 which is being amortized over the life of the newly issued bonds. The balance of unamortized loss at October 31, 1997 and 1998 was \$4,320,728 and \$4,848,788, respectively. The loss amortization for the 1997 and 1998 fiscal years was \$427,957 and \$462,918, respectively.

On April 18, 1987, the Authority issued \$88,041,800 in Electric Revenue Refunding Bonds dated March 1, 1987. The bond proceeds were used to refund in advance of maturity, \$31,889,000 of its 1980 Series Bonds and \$44,976,400 of its 1983 Series Bonds. All outstanding 1980 Bonds were called on November 1, 1988. The 1983 Series Bonds are defeased and were called during the 1994 fiscal year. Therefore, no bonds refunded by the 1987 issue are still outstanding.

The 1987 refunding resulted in a loss of \$12,403,388, which is being amortized over the life of the newly issued bonds. The balance of unamortized loss at October 31, 1997 and 1998 was \$7,381,732 and \$7,783,188, respectively. The loss amortization for the 1997 and 1998 fiscal years was \$485,561 each year.

A \$7,718,607 loss, which resulted from the issuance of the Series 1988 Electric Revenue Refunding Bonds, is being amortized over the original life of the issue. The balance of unamortized loss at October 31, 1997 and 1998 was \$4,898,378 and \$4,378,146, respectively. The loss amortization for the 1997 and 1998 fiscal years was \$485,974 each year.

**LAFAYETTE PUBLIC POWER AUTHORITY  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF  
LAFAYETTE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 1997 AND 1996**

**(F) RECONCILIATION OF INCOME WITH BILLINGS**

Pursuant to Section 7.3 of its bond ordinance, Lafayette Public Power 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 include 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 ordinance. For example, for statement presentation, the cost of capital items are billed and included as revenues 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.

The following is a reconciliation of net income with billings for the years ended October 31, 1997 and 1996:

	1997	1996
Billing charges not treated as expenses for accounting purposes:		
Capital Items Additions	\$ 237,184	\$ 485,569
Accounting expenses not treated as charges for billing purposes:		
Depreciation of Capital Items	(104,420)	(124,834)
Loss on disposition of property	(483,164)	-----
Net Income (Loss)	<u>4,129,120</u>	<u>4,129,120</u>

**(G) DEPRECIATION AND RESTRUCTURING**

**Restructuring Costs**

In 1991, CLBOO restructured and downsized its organization at a cost of \$16,894,088. A portion of the cost, 1994,982, was allocated to the Authority in the 1990 Administrative and General True-up Billing, dated April 4, 1994. The Authority was not notified of CLBOO's intent to bill this cost to the joint owners, prior to receiving the bill. As of June, 1995, an agreement was reached on the restructuring costs and various other adjustments on the Administrative and General True-up billings. The agreed upon settlement of \$173,804 will be paid in three to three annual installments of \$57,935. The first installment was paid in August, 1995. As of October 31, 1996, 1996 owed the final installment of \$57,935 to CLBOO which was included in Accounts Payable for 1996.

LAFAYETTE PUBLIC POWER AUTHORITY  
& COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF  
LAFAYETTE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 1987 AND 1988

(4) COMMITMENTS AND CONTINGENCIES - continued

Coal Purchase Commitment

The Authority has contracted with Kerr-McGee to purchase its share of coal used in producing power at the Rodenacker Unit No. 1 facility. The purchase contract is for delivery of 64,000,000 tons of coal in total of which the Authority has a fifty percent (50%) interest. Therefore, the Authority has contracted to purchase a minimum of 32,000,000 tons over the term of the contract. Annual amounts are subject to increase or decrease by up to ten percent (10%). The term of the contract and annual quantities to be purchased are as follows:

Calendar Year	Annual Quantity
1991	210,000
1992	600,000
1993-2000	870,000
2001	440,000

On October 12, 1987, the Authority was involved in renegotiations of the price terms of the coal contract. On July 1, 1987, Kerr-McGee began charging the anticipated renegotiated price. However, no official agreement has been reached. No other terms of the original agreement are subject to adjustment at this time.



**SUPPORTING SCHEDULES**

LAFAYETTE PUBLIC POWER AUTHORITY  
 & COMPONENT PARTS OF THE CONSOLIDATED GOVERNMENT OF  
 LAFAYETTE, LOUISIANA

SCHEDULE OF CHANGES IN RESTRICTED ASSETS  
 FOR THE YEAR ENDED OCTOBER 31, 1947

	<u>CASH WITH PAID BANK</u>
RESTRICTED CASH AND CASH EQUIVALENTS OCTOBER 31, 1946	\$ 15,455,787
<b>CASH RECEIPTS</b>	
Interest Received	-
Escrow Fund Receipts	-
<b>CASH DISBURSEMENTS</b>	
Purchased Investments	-
Principal Paid on Bonds	(7,315,800)
Interest Paid on Bonds	(7,943,548)
<b>TRANSFERS FROM FUNDS</b>	
Transfers From Bond Interest and Principal Fund	10,381,708
Transfers From Revenue Fund	-
Transfers to Paying Agent	-
Transfers to Revenue Fund	-
	10,381,708
RESTRICTED CASH AND CASH EQUIVALENTS OCTOBER 31, 1947	<u>10,351,575</u>
RESTRICTED INVESTMENTS AND ACCRUED INTEREST OCTOBER 31, 1946	-
INCREASE IN STOCKS OF SUBSIDIARIES (AT PAR)	-
INCREASE ACCRUED INTEREST RECEIVABLE	-
DECREASE UNAMORTIZED DISCOUNT	-
INCREASE UNAMORTIZED PREMIUM	-
	-
RESTRICTED INVESTMENTS AND ACCRUED INTEREST OCTOBER 31, 1947	<u>-</u>
TOTAL RESTRICTED CASH, INVESTMENTS, AND ACCRUED INTEREST AT OCTOBER 31, 1947	<u>\$ 10,351,575</u>

<u>BOND RESERVE FUND</u>	<u>BOND DEBTMENT FUND</u>	<u>RESERVE AND CONTINGENCY FUND</u>	<u>FUEL COST STIMULANT FUND</u>	<u>TOTAL</u>
\$ 614,837	\$ 66	\$ 408,283	22,261,488	\$ 24,094,634
1,000,000	313,082	78,831	383,834	1,859,934
-	18,747	-	-	18,747
(324,888)	-	(408,287)	(2,362,834)	(3,106,009)
-	-	-	-	(7,313,800)
-	-	-	-	(7,843,266)
-	-	-	-	26,321,758
-	26,324,345	-	-	26,324,345
-	(26,321,758)	-	-	(26,321,758)
<u>12,008,282</u>	<u>(200,882)</u>	<u>(278,832)</u>	<u>(283,834)</u>	<u>11,624,534</u>
<u>78,838</u>	<u>-</u>	<u>8,862</u>	<u>21,852</u>	<u>11,624,538</u>
12,087,120	-	1,821,772	2,380,821	16,289,713
428,000	-	880,808	1,275,880	3,584,688
22,478	-	4,958	28,788	56,224
(18,889)	-	(1,700)	(18,870)	(49,459)
<u>10,682</u>	<u>-</u>	<u>(1,832)</u>	<u>(2,022)</u>	<u>8,228</u>
<u>26,428,487</u>	<u>-</u>	<u>2,685,881</u>	<u>4,613,977</u>	<u>33,728,345</u>
<u>428,828,208</u>	<u>0</u>	<u>61,523,388</u>	<u>61,523,378</u>	<u>551,875,282</u>

**LAFAYETTE PUBLIC POWER AUTHORITY  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF  
LAFAYETTE, LOUISIANA**

**SCHEDULES OF OPERATING EXPENSES  
FOR THE YEARS ENDED OCTOBER 31, 1997 AND 1996**

	<u>1997</u>	<u>1996</u>
<b>PRODUCTION</b>		
Steam Power Generation-Operation		
Supervision	\$ 204,870	\$ 211,879
Fuel Expense	22,415,796	24,541,844
Steam Expense	340,404	383,840
Electric Expense	284,143	310,307
Miscellaneous	<u>122,364</u>	<u>812,544</u>
	<u>23,367,577</u>	<u>25,960,414</u>
Steam Power Generation-Maintenance		
Supervision and Engineering	104,404	104,029
STRUCTURES	82,849	70,849
Boiler Plant	1,217,201	1,328,387
Electric Plant	131,600	113,854
Miscellaneous Steam Plant	<u>272,328</u>	<u>251,808</u>
	<u>1,803,482</u>	<u>1,870,927</u>
Other Power Generation-Operation		
Auxiliary Power and EPA Allowances	<u>82,347</u>	<u>87,380</u>
Total Production Expenses	<u>\$24,652,974</u>	<u>\$27,999,529</u>
<b>TRAINING</b>		
Local Dispatching Expenses	<u>\$ 72,321</u>	<u>\$ 70,321</u>
<b>ADMINISTRATIVE AND GENERAL EXPENSES</b>		
Administrative and General Salaries	\$ 182,374	\$ 180,804
Miscellaneous Special Expense	128,374	87,304
Administrative and General Expenses	1,443,195	1,582,178
Outside Services Employed	94,700	79,710
Paying Agent Fees	1,488	1,800
Payroll Taxes	179,957	200,323
Property Insurance	<u>89,000</u>	<u>88,000</u>
Total Administrative and General Expenses	<u>\$ 2,029,088</u>	<u>\$ 2,080,919</u>
<b>AMORTIZATION EXPENSE</b>	<u>\$ 82,321</u>	<u>\$ 87,422</u>
<b>DEPRECIATION EXPENSE (NET)</b>	<u>\$ 4,400,414</u>	<u>\$ 4,614,728</u>

# WRIGHT, MOORE, DEHART, DUPUIS & HUTCHINSON

Certified Public Accountants

P. O. Box 93188 • 134 Representative Row

Lafayette, Louisiana 70505-1188

(504) 235-7037 • (504) 235-4455 • FAX (504) 235-8977

JOHN W. WRIGHT, CPA\*  
AL FRIZZ MOORE, CPA\*  
MICHAEL G. DEHART, CPA, CMA\*  
JAMES H. DUPUIS, CPA, CIA\*  
JIM S. HUTCHINSON, CPA\*  
JIM R. COOPER, CPA\*  
BRIGGAN C. GORDON, CPA, CMA\*

LANCE S. CRAYFEL, CPA  
CERRY L. BENTLEY, CPA  
BRIAN J. WOLTON, CPA  
DAN D. SANFORD, CPA

\* A MEMBERING CORPORATION

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

To the Board of Commissioners  
Lafayette Public Power Authority  
Lafayette Parish, Louisiana

We have audited the financial statements of the Lafayette Public Power Authority, a component unit of the Consolidated Government of Lafayette, Louisiana, as of and for the year ended October 31, 1997, and have issued our report thereon dated February 8, 1998. We conducted our audit in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of Louisiana Revised Statutes 24:517 and the Louisiana Governmental Audit Guide.

### Compliance

As part of obtaining reasonable assurance about whether the 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 grants, noncompliance with which would have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Lafayette Public Power Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



This report is intended for the information of the management and Board of Commissioners of the Lafayette Public Power Authority and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

*Thayne Moore, Sr. CPA*  
*Alvin J. Hutchinson*  
WEISIT, MOORE, DELART,  
DUPUIS & HUTCHINSON  
Certified Public Accountants

January 8, 1998