

LOUISIANA 13

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

GREENWELL SPRINGS, LOUISIANA

**CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

LUBBOCK, TEXAS

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BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

Board of Directors
Dixie Electric Membership Corporation and Subsidiaries
Greenwell Springs, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Dixie Electric Membership Corporation and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of income, patronage capital, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Dixie Electric Membership Corporation and Subsidiaries as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Dixie Electric Membership Corporation and Subsidiaries (the Cooperative) and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cooperative's ability to continue as a going within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Cooperative's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cooperative's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Cooperative's consolidated financial statements as a whole. The consolidating financial information and schedule of compensation, benefits, and other payments to agency head or chief executive officer, and the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements.

The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating financial information, schedule of compensation, benefits, and other payments to agency head or chief executive officer, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2023 on our consideration of the Cooperative'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 the Dixie Electric Membership Corporation and Subsidiaries' 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 the Cooperative's internal control over financial reporting and compliance.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

April 18, 2023

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

Exhibit A

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021

ASSETS

	December 31,	
	2022	2021
UTILITY PLANT		
Electric Plant in Service	\$ 750,737,593	\$ 729,109,742
Other Fixed Assets	1,744,085	1,708,591
Construction Work in Progress	75,506,020	76,293,686
	<u>\$ 827,987,698</u>	<u>\$ 807,112,019</u>
Less: Accumulated Provision for Depreciation	203,926,587	195,885,375
Total Utility Plant, Net	<u>\$ 624,061,111</u>	<u>\$ 611,226,644</u>
INVESTMENTS AND OTHER ASSETS		
Investments in Associated Organizations	\$ 10,677,965	\$ 11,147,872
Notes Receivable, Long-Term Portion	128,304	144,760
	<u>\$ 10,806,269</u>	<u>\$ 11,292,632</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 7,632,576	\$ 12,049,221
Current Portion of Notes Receivable	142,000	150,000
Accounts Receivable		
Consumers, net of allowance of \$2,400,685 in 2022 and \$1,014,279 in 2021	13,866,188	14,695,355
FEMA, net of allowance of \$0 in 2022 and \$0 in 2021	9,333,666	3,126,293
Other Receivables, net of allowance of \$0 in 2022 and \$670,000 in 2021	3,934,488	4,616,285
Unbilled Revenue	17,179,436	10,119,126
Under-Collected Purchase Power Cost Adjustment	7,712,900	1,849,519
Materials and Supplies	8,404,607	7,725,060
Other Current and Accrued Assets	1,764,332	1,568,842
	<u>\$ 69,970,193</u>	<u>\$ 55,899,701</u>
DEFERRED CHARGES		
Deferred Charges	\$ 32,874,058	\$ 46,772,899
Deferred Income Tax Asset	114,340	112,214
	<u>\$ 32,988,398</u>	<u>\$ 46,885,113</u>
TOTAL ASSETS	<u>\$ 737,825,971</u>	<u>\$ 725,304,090</u>
EQUITIES AND LIABILITIES		
EQUITIES		
Memberships	\$ 374,625	\$ 404,815
Patronage Capital	119,834,026	111,914,061
Other Equities (Deficits)	(914,376)	(1,306,275)
	<u>\$ 119,294,275</u>	<u>\$ 111,012,601</u>
LONG-TERM DEBT		
Notes Payable, Less Current Maturities	\$ 417,149,163	\$ 432,694,659
Deferred Interest - RUS Notes	79,190	163,495
	<u>\$ 417,228,353</u>	<u>\$ 432,858,154</u>
NON-CURRENT LIABILITIES		
Post-Retirement Benefit Obligation	\$ 31,513,696	\$ 43,701,054
CURRENT LIABILITIES		
Current Maturities of Notes Payable	\$ 15,723,582	\$ 15,050,790
Current Portion of Post-Retirement Benefit Obligation	1,921,354	1,873,872
Lines of Credit	88,493,079	47,036,083
Accounts Payable - Purchased Power	33,542,817	12,270,672
Accounts Payable - Other	6,416,918	33,438,832
Consumer Deposits	8,948,000	8,819,714
Accrued Taxes	798,045	695,105
Accrued Interest	3,408,815	3,141,887
Other Current and Accrued Liabilities	1,826,238	1,315,872
	<u>\$ 161,078,848</u>	<u>\$ 123,642,827</u>
DEFERRED CREDITS	<u>\$ 8,710,799</u>	<u>\$ 14,089,454</u>
TOTAL EQUITIES AND LIABILITIES	<u>\$ 737,825,971</u>	<u>\$ 725,304,090</u>

See accompanying notes to the consolidated financial statements.

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

Exhibit B

**CONSOLIDATED STATEMENTS OF OPERATIONS AND PATRONAGE CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	December 31,				Increase (Decrease)
	2022		2021		
	Amount	%	Amount	%	
OPERATING REVENUES					
Residential	\$ 242,510,912	76.6	\$ 186,634,389	78.1	\$ 55,876,523
Commercial and Industrial - Small	28,512,611	9.0	18,421,052	7.7	10,091,559
Commercial and Industrial - Large	36,789,574	11.6	27,737,687	11.6	9,051,887
Public Street & Highway Lighting	301,810	0.1	245,270	0.1	56,540
Other Sales to Public Authorities	1,675,997	0.5	1,213,555	0.5	462,442
Rent from Electric and Other Property	2,199,943	0.7	2,074,567	0.9	125,376
Other Revenue	4,760,273	1.5	2,620,671	1.1	2,139,602
Total Operating Revenues	<u>\$ 316,751,120</u>	<u>100.0</u>	<u>\$ 238,947,191</u>	<u>100.0</u>	<u>\$ 77,803,929</u>
OPERATING EXPENSES					
Purchased Power	\$ 206,021,826	65.0	\$ 152,259,111	63.7	\$ 53,762,715
Cost of Sales	9,570	0.0	10,152	0.0	(582)
Transmission - Operation	632,245	0.2	528,554	0.2	103,691
Transmission - Maintenance	311,988	0.1	285,077	0.1	26,911
Distribution - Operation	5,902,441	1.9	7,891,065	3.3	(1,988,624)
Distribution - Maintenance	26,260,392	8.3	21,039,058	8.8	5,221,334
Consumer Accounts	8,089,297	2.6	7,140,004	3.0	949,293
Customer Service and Information	199,450	0.1	229,212	0.1	(29,762)
Selling Expenses	1,017,769	0.3	1,577,899	0.7	(560,130)
Administrative and General Expenses	13,498,681	4.3	14,018,152	5.9	(519,471)
Depreciation	23,798,417	7.5	23,127,643	9.7	670,774
Taxes and Penalties	7,285,825	2.3	7,336,978	3.1	(51,153)
Other Expenses	(243,283)	(0.1)	439,971	0.2	(683,254)
Total Operating Expenses	<u>\$ 292,784,618</u>	<u>92.6</u>	<u>\$ 235,882,876</u>	<u>98.8</u>	<u>\$ 56,901,742</u>
OPERATING MARGINS (DEFICITS) - BEFORE FIXED CHARGES	<u>\$ 23,966,502</u>	<u>7.4</u>	<u>\$ 3,064,315</u>	<u>1.2</u>	<u>\$ 20,902,187</u>
FIXED CHARGES					
Interest on Long-Term Debt	\$ 13,852,699	4.4	\$ 13,768,867	5.8	\$ 83,832
Amortization on Reacquired Debt	23,616	0.0	22,646	0.0	970
Other Interest	2,712,548	0.9	832,125	0.3	1,880,423
Total Fixed Charges	<u>\$ 16,588,863</u>	<u>5.3</u>	<u>\$ 14,623,638</u>	<u>6.1</u>	<u>\$ 1,965,225</u>
OPERATING MARGINS (DEFICITS) - AFTER FIXED CHARGES	<u>\$ 7,377,639</u>	<u>3.0</u>	<u>\$ (11,559,323)</u>	<u>(4.6)</u>	<u>\$ 18,936,962</u>
Other Capital Credits	794,609	0.3	543,789	0.2	250,820
NET OPERATING MARGINS (DEFICITS)	<u>\$ 8,172,248</u>	<u>3.3</u>	<u>\$ (11,015,534)</u>	<u>(4.4)</u>	<u>\$ 19,187,782</u>
NONOPERATING MARGINS					
Interest Income	\$ 144,640	0.0	\$ 153,930	0.1	\$ (9,290)
Other Income	(19,191)	0.0	153,684	0.0	(172,875)
Total Nonoperating Margins	<u>\$ 125,449</u>	<u>0.0</u>	<u>\$ 307,614</u>	<u>0.1</u>	<u>\$ (182,165)</u>
NET MARGINS (DEFICITS) BEFORE PROVISION FOR INCOME TAXES	<u>\$ 8,297,697</u>	<u>3.3</u>	<u>\$ (10,707,920)</u>	<u>(4.3)</u>	<u>\$ 19,005,617</u>
PROVISION FOR INCOME TAX EXPENSE					
Current	\$ (20,844)	0.0	\$ (2,842)	0.0	\$ (18,002)
Deferred - State	57,448	0.0	(12,339)	0.0	69,787
Deferred - Federal	(55,322)	0.0	(60,827)	0.0	5,505
Total Provision for Income Tax Benefit	<u>\$ (18,718)</u>	<u>0.0</u>	<u>\$ (76,008)</u>	<u>0.0</u>	<u>\$ 57,290</u>
NET MARGINS (DEFICITS)	<u>\$ 8,278,979</u>	<u>3.3</u>	<u>\$ (10,783,928)</u>	<u>(4.3)</u>	<u>\$ 19,062,907</u>
PATRONAGE CAPITAL - BEGINNING OF YEAR	111,914,061		111,914,061		
Transfer Nonoperating Margins to Other Equities	(359,014)		(372,046)		
Transfer Current Year Operating Deficit to Other Equities	<u> </u>		<u>11,155,974</u>		
PATRONAGE CAPITAL - END OF YEAR	<u>\$ 119,834,026</u>		<u>\$ 111,914,061</u>		

See accompanying notes to the consolidated financial statements.

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

Exhibit C

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	December 31,	
	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Margin (Deficits)	\$ 8,278,979	\$ (10,783,928)
Adjustments to Reconcile Net Margins to Net Cash From Operating Activities		
Depreciation	25,274,937	24,691,240
Capital Credits	(591,827)	(543,789)
(Increase) Decrease:		
Accounts Receivable	829,167	(2,685,743)
Accounts Receivable - Other	676,048	1,545,587
Unbilled Revenue	(7,060,310)	706,497
Under-Collected Purchased Power Cost Adjustment	(5,863,381)	(6,729,900)
Inventories and Other Current Assets	(869,294)	(2,470,915)
Deferred Charges	3,632,837	6,133,979
Deferred Income Taxes	(2,126)	73,166
Increase (Decrease):		
Accounts Payable and Other Accrued Liabilities	1,394,895	2,438,367
Accounts Payable - Purchased Power	21,272,145	1,987,990
Deferred Credits	(5,378,655)	3,120,609
Net Cash From Operating Activities	<u>\$ 41,593,415</u>	<u>\$ 17,483,160</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Plant	\$ (33,170,308)	\$ (94,045,496)
Plant Removal Costs Over Salvage and Other Credits	(4,939,096)	(2,836,440)
Accounts Receivable - FEMA Disaster Grants	(6,207,373)	(1,491,408)
Hurricane Ida Accounts Payable Financed by DEMCO	(27,408,283)	27,408,283
Other Property and Investments	1,061,735	312,268
Net (Advances) Payments - Notes Receivable	24,455	(128,770)
Net Cash From Investing Activities	<u>\$ (70,638,870)</u>	<u>\$ (70,781,563)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt - RUS	\$ (2,217,880)	\$ (2,311,162)
Payments on Long-Term Debt - FFB	(8,500,448)	(6,031,019)
Payments on Long-Term Debt - CoBank	(2,218,724)	(2,161,092)
Payments on Long-Term Debt - CFC	(2,003,447)	(1,702,036)
Payments on Long-Term Debt - Other	(1,890,382)	(1,934,769)
Advances of Long-Term Debt - FFB		41,381,895
Advances of Long-Term Debt - CFC		5,400,000
Net Advances (Payments) - Line of Credit	41,456,996	21,036,083
Memberships and Other Equities	2,695	(41,122)
Net Cash From Financing Activities	<u>\$ 24,628,810</u>	<u>\$ 53,636,778</u>
CHANGE IN CASH AND CASH EQUIVALENTS	\$ (4,416,645)	\$ 338,375
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>12,049,221</u>	<u>11,710,846</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 7,632,576</u>	<u>\$ 12,049,221</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest	\$ 13,834,933	\$ 11,499,466
Income Taxes	<u>\$ 4,900</u>	<u>\$ 6,166</u>

See accompanying notes to the consolidated financial statements.

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Dixie Electric Membership Corporation (DEMCO) is an electric distribution cooperative. Its principal business activity is providing electric power to over 100,000 consumer accounts throughout seven parishes. DEMCO is subject to the jurisdiction of the Louisiana Public Service Commission (LPSC) for rate-setting.

DEMCO Energy Services, L.L.C. (DESI) provides surge protection services in southeastern Louisiana.

Dixie Business Development Center, Inc. (DBDC) is a nonprofit organization whose purpose is to attract emerging businesses in the local service area by providing office spaces to local companies in exchange for rental revenues.

Principles of Consolidations

The consolidated financial statements include the accounts of DEMCO and its wholly owned subsidiary DESI, and a non-profit controlled by DEMCO DBDC, (collectively referred to herein as "the Cooperative"). Intercompany transactions and balances have been eliminated in consolidation.

System of Accounts

The Cooperative maintains its records in accordance with the Uniform System of Accounts (USOA) prescribed for borrowers from the United States Department of Agriculture Rural Utilities Services.

Use of Estimates in the Preparation of Consolidated Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

For purposes of the consolidated statements of cash flows, the Cooperative considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable and Allowance for Uncollectible Accounts

The Cooperative uses the reserve method to account for uncollectible accounts. Accounts deemed uncollectible are written off against the reserve. The allowance for doubtful accounts is based on management's estimates, historical experience, and a review of outstanding amounts on an ongoing basis.

The Cooperative uses the aging method to allow for uncollectible accounts receivable. During the year management makes an evaluation of past due accounts to determine collectability. The accounts deemed uncollectible are written off upon approval by the Board of Directors.

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Materials and Supplies

Materials and supplies inventories are valued at average unit cost.

Electric Plant, Maintenance, and Depreciation

Electric plant is stated at the original cost of construction, which includes the cost of contracted services, direct labor, materials, and overhead items. Contributions from others toward the construction of electric plant are credited to the applicable plant accounts.

When property which represents a retirement unit is replaced or removed, the average cost of such property, as determined from the continuing property records, is credited to electric plant and such cost, together with cost of removal less salvage, is charged to the accumulated provision for depreciation.

Maintenance and repairs, including the renewal of minor items of plant not comprising a retirement unit, are charged to the appropriate maintenance accounts, except that repairs of transportation and service equipment are charged to clearing accounts and redistributed to operating expense and other accounts.

Capitalized Interest

Interest totaling \$16,675,245 and \$14,894,948 was incurred during the years ended December 31, 2022 and 2021, respectively. Interest costs incurred on borrowed funds during the construction of capital assets are capitalized as a component of the cost of acquiring those assets. Interest of \$110,042 and \$293,956 was capitalized during the years ended December 31, 2022 and 2021, respectively.

Patronage Capital Certificates

Patronage capital from associated cooperatives are recorded at the stated amount of the certificate.

Deferred Charges

Included in deferred charges are conversion fees related to the repricing of debt, which are amortized over the term of the debt using the straight-line method. Accounting principles generally accepted in the United States of America require that the effective yield method be used to amortize these costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method.

Electric Revenues from Contracts with Customers

Certain aspects of the Cooperative's operations are subject to regulation by the Louisiana Public Service Commission (LPSC) which includes being regulated for rate making purposes. The Cooperative's headquarters facilities is located in Greenwell Springs, Louisiana. The service area includes members located in a seven parish area surrounding Greenwell Springs, Louisiana.

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Substantially all operating revenues and customer accounts receivables are derived from contracts with customers. Performance obligations related to the sale of energy are satisfied as energy is delivered to customers. The Cooperative recognizes revenue that corresponds to the price of the energy delivered to the customer. The measurement of energy sales to customers is generally based on the reading of their meters, which occurs on a systematic basis throughout the month. At the end of each month, amounts of energy delivered to customers since the date of the last meter reading are estimated, and the corresponding unbilled revenue is recognized. The Cooperative has calculated that its unbilled revenue for delivered power usage which has not been billed to be \$17,179,436 and \$10,119,126, respectively. The Cooperative's tariffs for electric service include purchased power adjustment clauses under which billings to members are adjusted to reflect changes in the cost of fuel and purchased power as approved by the LPSC. In order to match power costs and related revenues, under-collected power cost to be billed to consumers in subsequent periods is recognized as a current asset and as an increase of classified operating revenues on the consolidated statements of operations and patronage capital. Over-collected power cost to be returned to consumers in subsequent periods is recognized as a current liability and as a decrease of classified operating revenues on the consolidated statements of income, and patronage capital. As of December 31, 2022 and 2021 the Cooperative had under (over)-collected power cost of \$7,712,900 and \$1,849,519, respectively.

The Cooperative does not recognize a separate financing component of its collections from customers as contract terms are short-term in nature. The Cooperative presents its revenues net of any excise or sales taxes.

Group Concentrations of Credit Risk

The Cooperative may require a deposit from its members upon connection which is applied to unpaid bills and fees in the event of default. Interest is accrued on the deposited funds while it is held by the Cooperative. As of December 31, 2022 and 2021, deposits on hand totaled \$8,948,000 and \$8,819,714, respectively.

At various times during the year, cash and cash equivalents on deposit with one financial institution exceeded the amount insured by the Federal Deposit Insurance Corporation. Management monitors the financial condition of the institution on a regular basis, along with its balances in cash and cash equivalents, to minimize potential risk.

As of December 31, 2022, 67% of the Cooperative's 265 employees work under a collectible bargaining agreement. Those employees are represented by the International Brotherhood of Electrical Workers Local 767 whose existing labor agreement expires on February 28, 2023.

Advertising

Advertising costs, which are included in operating expenses, are expensed as incurred. Advertising expense was \$1,017,769 and \$1,577,899 for the years ended December 31, 2022 and 2021, respectively.

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Regulation

The Cooperative's accounting policies and the accompanying financial statements conform to generally accepted accounting principles applicable to rate-regulated enterprises and reflects the effects of the ratemaking process.

As a result of the ratemaking process, the Cooperative applies Accounting Standards Codification (ASC) 980, Regulated Operations. The applicable of generally accepted accounting principles by the Cooperative differs in certain respects from the applicable by non-regulated businesses as a result of applying ASC 980. Such differences generally related to the time at which certain items enter into the determination of net margins in order to follow the principle of matching costs and revenues.

Comparative Financial Information

Some amounts have been reclassified from the prior year for comparative purposes.

2. Assets Pledged

Substantially all assets are pledged as security for the long-term debt due Rural Utilities Service (RUS), Federal Financing Bank (FFB), National Rural Utilities Cooperative Finance Corporation (CFC), and CoBank.

3. Utility Plant

Utility plant consists of the following:

	December 31,	
	<u>2022</u>	<u>2021</u>
Transmission and Distribution Plant	\$ 697,755,365	\$ 679,919,033
General Plant	52,982,228	49,190,709
Other Fixed Assets	<u>1,744,085</u>	<u>1,708,591</u>
	\$ 752,481,678	\$ 730,818,333
Construction Work in Progress	<u>75,506,020</u>	<u>76,293,686</u>
Total Utility Plant	<u>\$ 827,987,698</u>	<u>\$ 807,112,019</u>

Net utility plant includes FEMA projects for which work has been approved but not obligated.

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Average annual composite rates of depreciation are as follows:

	December 31,	
	2022	2021
Transmission Plant	2.75%	2.75%
Distribution Plant	2.16% to 4.40%	2.16% to 4.40%
Distribution Plant Meters	3.40% to 10.00%	3.40% to 10.00%
General Plant		
Structures and Improvements	2.00% to 6.00%	2.00% to 6.00%
Power Operated Equipment	6.00% to 14.00%	6.00% to 14.00%
Transportation Equipment	16.00%	16.00%
Other	6.00% to 20.00%	6.00% to 20.00%

Depreciation for the years ended December 31, 2022 and 2021 was \$25,274,937 and \$24,691,240, respectively, of which \$23,798,417 and \$23,127,643 was charged to depreciation expense, and \$1,476,520 and \$1,563,597 allocated to other accounts.

4. Investments in Associated Organizations

Investments in Associated Organizations consist of the following:

	December 31,	
	2022	2021
Capital Term Certificates		
National Rural Utilities Cooperative Finance Corporation	\$ 3,461,708	\$ 4,326,552
Patronage Capital		
National Rural Utilities Cooperative Finance Corporation	4,186,299	4,224,391
Meridian Cooperative, Inc.	506,303	451,254
CoBank, ACB	1,306,436	1,236,191
Gresco Utility Supply, Inc.	417,363	296,955
National Rural Telecommunications Cooperative, Inc.	40,647	40,647
Federated Insurance	680,200	537,350
Other	62,109	17,632
Memberships		
Other	16,900	16,900
	<u>\$ 10,677,965</u>	<u>\$ 11,147,872</u>

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Notes Receivable

Notes Receivable consist of the following:

	December 31,	
	2022	2021
Construction Notes Receivable	\$ 242,064	\$ 163,515
Promissory Notes Receivable - Arrangements	28,240	131,245
Less: Current Portion of Notes Receivable	<u>(142,000)</u>	<u>(150,000)</u>
Notes Receivable - Long-Term Portion	<u>\$ 128,304</u>	<u>\$ 144,760</u>

Maturities of the notes receivable during the next three years are as follows:

2023	\$ 142,000
2024	91,000
2025	<u>37,304</u>
	<u>\$ 270,304</u>

6. Other Receivables

Other Receivables consist of the following:

	December 31,	
	2022	2021
Pole Attachments	\$ 1,840,152	\$ 1,796,922
Mutual Aid Assistance	510,617	1,023,414
Contributions for Construction	1,403,847	1,366,783
Sales Taxes - Overpaid		871,744
DEMCO Foundation	67,704	46,404
Miscellaneous	<u>112,168</u>	<u>181,018</u>
	\$ 3,934,488	\$ 5,286,285
Less: Allowance for Uncollectibles		<u>(670,000)</u>
	<u>\$ 3,934,488</u>	<u>\$ 4,616,285</u>

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Materials and Supplies

Materials and Supplies consist of the following:

	December 31,	
	<u>2022</u>	<u>2021</u>
Construction Materials and Supplies	\$ 8,140,259	\$ 7,657,938
Minor Construction Materials and Supplies	21,399	19,889
Vehicle Parts	242,949	47,233
	<u>\$ 8,404,607</u>	<u>\$ 7,725,060</u>

8. Deferred Charges

Deferred Charges consist of the following:

	December 31,	
	<u>2022</u>	<u>2021</u>
Unamortized Conversion Fee	\$ 121,062	\$ 144,678
Post-Retirement Benefits	28,032,371	40,172,247
Pension Prepayment	4,209,396	4,790,003
Regulatory Asset - Storm Costs	437,083	1,588,377
Other	74,146	77,594
	<u>\$ 32,874,058</u>	<u>\$ 46,772,899</u>

Deferred interest represents interest that was added back to the principal balances of debt from RUS. The deferred interest is accounted for in accordance with the Regulated Operations Topic of the FASB-Accounting Standards Codification, and the deferred cost is amortized to expense when paid.

The Cooperative repriced its debt with the National Rural Utilities Cooperative Finance Corporation (NRUCFC) to lower its interest rates. The cost to reprice the debt is being amortized to expense over the repricing period.

	December 31,	
	<u>2022</u>	<u>2021</u>
Original Amount	\$ 5,265,487	\$ 5,265,487
Accumulated Amortization	<u>(5,144,425)</u>	<u>(5,120,809)</u>
Net Book Value	<u>\$ 121,062</u>	<u>\$ 144,678</u>

Amortization expense was \$23,616 and \$22,646 for the years ended December 31, 2022 and 2021, respectively.

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Future expected amortization of the conversion fees is as follows:

2023	\$	22,646
2024		22,646
2025		22,646
2026		22,646
2027		22,646
Thereafter		<u>7,832</u>
	\$	<u><u>121,062</u></u>

The Cooperative complies with regulatory requirements under LPSC Order Number S-32362 for purposes of accounting for Post-Retirement Benefits Other than Pensions (OPEB). The order requires the Cooperative to defer OPEB costs in excess of amounts amortizable under the pay-as-you-go method of accounting and provides regulatory approval to recover accrued other Post-Retirement Benefit costs through rates. While the LPSC has ordered the Cooperative to continue the use of the pay-as-you-go method for ratemaking purposes for Post-Retirement Benefits other than pensions, the LPSC retains the flexibility to examine individual entities accounting for other Post-Retirement Benefits to determine if special exceptions to this order are warranted. See Note 17 for information relating to the Cooperative's Post-Retirement Benefit.

The pension prepayment represents an accelerated funding payment to the Cooperative's defined benefit retirement plan for the reduction of future contributions. This amount is being amortized over a period of 17 years on a straight-line basis.

	December 31,	
	<u>2022</u>	<u>2021</u>
Original Amount	\$ 9,870,308	\$ 9,870,308
Accumulated Amortization	<u>(5,660,912)</u>	<u>(5,080,305)</u>
Net Book Value	<u>\$ 4,209,396</u>	<u>\$ 4,790,003</u>

Amortization expense related to the pension prepayment was \$580,606 and \$580,606 for the years ended December 31, 2022 and 2021, respectively. Future expected amortization is as follows:

2023	\$	580,606
2024		580,606
2025		580,606
2026		580,606
2027		580,606
Thereafter		<u>1,306,366</u>
	\$	<u><u>4,209,396</u></u>

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

On February 25, 2022, the LPSC issued order U-36254 in response to the Cooperative's request for rate relief pursuant to the extraordinary cost provision of the formula rate plan and request for order of the LPSC directing the Cooperative to recognize the Paycheck Protection Plan Loan forgiveness during the 2022 financial reporting period. The order provided the Cooperative the ability to recover \$2,389,495 in storm related costs anticipated to be incurred for Hurricanes Katrina and Gustav. Of the amount approved for rate relief, the Cooperative recorded regulatory assets for Hurricanes Katrina and Gustav totaling \$1,535,000 and interest incurred for Hurricane Ida totaling \$53,377. During 2022 the Cooperative deferred another \$383,707 of interest incurred for Hurricane Ida. The total uncollected interest costs to be collected through the formula rate plan or a rate rider is \$437,083 as of December 31, 2022.

9. Patronage Capital

Patronage capital consists of the following:

	December 31,	
	2022	2021
Assigned to Date	\$ 105,708,399	\$ 105,708,399
Assignable	7,919,965	
Operating Margins - Prior Years	6,205,662	6,205,662
	<u>\$ 119,834,026</u>	<u>\$ 111,914,061</u>

10. Return of Capital

The equities and margins of the Cooperative represent 16.17% of the total assets at the balance sheet date. Under the provisions of the Mortgage Agreement, the Cooperative shall not, without written approval of RUS and National Rural Utilities Cooperative Finance Corporation, make any capital credit retirements to members or consumers, provided that the borrower may make capital credit retirements to estates of deceased patrons to the extent required or permitted by its articles of incorporation and bylaws so long as such capital credit retirements shall not in any year exceed 25 percent of the patronage capital and margins received by the borrower in the preceding year. No patronage capital was retired during the years ended December 31, 2022 and 2021, respectively.

11. Other Equities (Deficits)

Other Equities (Deficits) consist of the following:

	December 31,	
	2022	2021
Subsidiary Margins - Net of Dividends	\$ 1,477,055	\$ 1,243,490
Other Nonoperating Income	10,526,153	10,367,819
Operating Deficits	(12,917,584)	(12,917,584)
	<u>\$ (914,376)</u>	<u>\$ (1,306,275)</u>

Prior year deficits will be recovered in accordance with the Cooperative's bylaws.

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Lines of Credit

Lines of credit consists of the following:

	December 31,	
	<u>2022</u>	<u>2021</u>
As of December 31, 2022, the Cooperative has two lines of credit facilities totaling \$70,000,000 with the National Rural Utilities Cooperative Finance Corporation (NRUCFC). The interest rates on the lines of credits was 5.75% and 5.15%, respectively as of December 31, 2022. The lines of credit mature on January 22, 2023 and September 24, 2023, respectively. The Cooperative renewed one lines of credit during 2023 and the new expiration date is January 22, 2024. As of December 31, 2021, the Cooperative had two lines of credit facilities totaling \$70,000,000 with the National Rural Utilities Cooperative Finance Corporation. The interest rate on the lines of credit were 2.45% and 2.00%, respectively as of December 31, 2021.	\$ 53,539,003	\$ 34,315,928
As of December 31, 2022, the Cooperative had an unsecured \$35,000,000 line of credit with CoBank. The interest rate on the line of credit was 5.85% as of December 31, 2022. The line of credit matures September 30, 2023.	34,954,076	12,720,155
The Cooperative has an unsecured \$5,000,000 line of credit with Red River Bank. The interest rate on the line of credit was 6.50% as of December 31, 2022. The line of credit matures annually in February and is automatically renewed.	<u>\$ 88,493,079</u>	<u>\$ 47,036,083</u>

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Notes Payable

Notes Payable consist of the following:

	December 31,	
	<u>2022</u>	<u>2021</u>
Rural Utilities Service, 3.63% to 5.18% mortgage notes, with maturity dates ranging from March 2024 through October 2040.	\$ 56,496,094	\$ 58,629,671
National Rural Utilities Cooperative Finance Corporation, mortgage notes at variable and fixed interest rates ranging from 2.30% to 4.30%, with maturity dates ranging from March 2024 through November 2038.	22,085,805	24,089,252
Federal Financing Bank loans with interest ranging from 2.28% to 3.55% maturing January 2045. These notes are guaranteed by the USDA Rural Utilities Service.	116,267,630	119,897,220
Federal Financing Bank loans with interest ranging from 2.11% to 3.28% maturing December 2048. These notes are guaranteed by the USDA Rural Utilities Service.	178,864,755	183,452,298
Federal Financing Bank loans with interest ranging from 1.88% to 2.04% maturing January 2050. These notes are guaranteed by the USDA Rural Utilities Service.	41,098,582	41,381,895
CoBank loans with interest rates ranging from 3.09% to 4.10% with maturity dates ranging from March 2023 to September 2037.	18,023,221	20,241,945
National Cooperative Services Corporation note payable with a fixed interest rate of 4.10%. The note guaranteed by DEMCO and secured by a building. This note matures in June 2022.		6,470
Note payable to South Central Planning and Development Commission, Inc. The note is interest free for 24 months and carries an interest rate of 4.00% for the remaining 36 months. This note matures in January 2026.	12,000	16,000
Note payable to South Central Planning and Development Commission, Inc. The note is interest free and payments began on June 16, 2018. After 60 months of timely payments, the remaining 40% of the loan balance will be forgiven. If timely payments are not made for the required period, a balloon payment will be due on May 16, 2023 for the remaining balance.	<u>24,658</u>	<u>30,698</u>
	\$ 432,872,745	\$ 447,745,449
Less: Current Maturities of Notes Payable	<u>15,723,582</u>	<u>15,050,790</u>
Notes Payable, Less Current Maturities	<u>\$ 417,149,163</u>	<u>\$ 432,694,659</u>

As of December 31, 2022, the Cooperative has \$84,974,105 available for loan advance from FFB. The Cooperative has \$4,200,000 available for loan advance from CFC.

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Annual future maturities of notes payable as of December 31, 2022 are as follows:

	<u>CFC</u>	<u>FFB</u>	<u>RUS</u>	<u>CoBank</u>	<u>SCPD</u>	<u>Total</u>
2023	\$ 2,068,899	\$ 9,557,508	\$ 2,613,362	\$ 1,455,405	\$ 28,408	\$ 15,723,582
2024	1,941,803	12,413,685	2,034,382	953,434	3,997	17,347,301
2025	1,940,258	10,217,429	2,303,939	952,433	4,253	15,418,312
2026	2,003,308	10,500,746	2,412,897	992,176		15,909,127
2027	2,068,545	8,082,694	2,527,036	1,033,577		13,711,852
Thereafter	12,062,992	285,458,905	44,604,478	12,636,196		354,762,571
	<u>\$ 22,085,805</u>	<u>\$ 336,230,967</u>	<u>\$ 56,496,094</u>	<u>\$ 18,023,221</u>	<u>\$ 36,658</u>	<u>\$ 432,872,745</u>

14. Income Taxes

DESI is a single member limited liability company that has elected to be taxed as a corporation under the Internal Revenue Code (IRC). The State of Louisiana also recognizes this election. Therefore, DESI files corporate income tax returns for both federal and state income tax reporting purposes.

For losses arising in tax years beginning before January 1, 2018, federal net operating losses (NOLs) were generally allowed to be carried back for a period of up to two years for offsetting prior years' taxable income or carried forward for a period not to exceed 20 years for offsetting future taxable income. For losses arising in tax years beginning after December 31, 2017, the federal NOL carry forward period is indefinite and the amount utilized for any year is limited to 80% of taxable income for such year. The Louisiana state NOL carryforward period for offsetting future taxable income is 20 years and the amount utilized for any year is limited to 72% of taxable income for such year. As of December 31, 2022, DESI has the following NOLs available to offset future taxable income, if any.

<u>Year Incurred</u>	<u>Expiration Date</u>	<u>Federal NOL</u>	<u>State NOL</u>
2004	2024	\$ 254,031	\$ 254,031
		<u>\$ 254,031</u>	<u>\$ 254,031</u>

DESI accounts for income taxes in accordance with FASB ASC 740, Income Taxes. Accordingly, income taxes are provided for the tax effects of transactions reported in the financial statements, including permanent and temporary timing differences, and consist of taxes currently due plus deferred taxes. Permanent differences represent items of income or expense that will never enter into the computation of taxes payable under applicable tax laws, such as nondeductible expenses. Temporary differences represent items of income or expense impacting the computation of taxes payable in a period different from when such items are recognized for financial state purposes and give rise to deferred income taxes.

DESI follows the asset and liability method for recording deferred income taxes. The objective of the asset and liability method is to establish deferred tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of DESI's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized and settled. As changes in the tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes for the period in which the rate change occurred.

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Deferred income taxes result from transactions which enter into the determination of taxable income in different periods than recorded for financial reporting purposes. These differences represent future tax return consequences (increases and decreases in taxable income) when deferred tax assets and liabilities are recovered, realized or settled. DESI's principal sources of deferred federal and state income taxes are NOL carryovers and accelerated depreciation used for tax purposes. It is anticipated that only a portion of the federal and state NOL carryovers will be utilized prior to the year such carryovers expire. Therefore, a valuation allowance for the related deferred tax asset is recorded in order to reflect a net deferred tax asset for the income tax effect of what management anticipates will be utilized.

Components of net deferred federal tax asset (liability) recognized in the consolidated financial statements are as follows:

	December 31,	
	2022	2021
Operating Loss Carryforward	\$ 116,763	\$ 342,080
Depreciation	(2,423)	(932)
	<u>\$ 114,340</u>	<u>\$ 341,148</u>
Valuation Allowance		(228,934)
	<u>\$ 114,340</u>	<u>\$ 112,214</u>

Components of the provision for federal and state tax benefit (expense) are as follows:

	December 31,	
	2022	2021
Current Income Tax Expense	\$ (20,844)	\$ (2,842)
Provision for Deferred Income Tax Expense	(226,808)	(45,560)
Provision for Deferred Income Taxes - Change in Valuation Allowance	<u>228,934</u>	<u>(27,606)</u>
Total Income Tax Expense	<u>\$ (18,718)</u>	<u>\$ (76,008)</u>

The Cooperative follows the "uncertain tax positions" provisions of accounting principles generally accepted in the United States of America. The primary tax positions are timing differences impacting taxable income. The entities have determined that it is more likely than not that their tax positions will be sustained upon examination by the Internal Revenue Service or the applicable state taxing authority and that all tax benefits are likely to be realized upon settlement with taxing authorities.

DESI files its income tax return in the U.S. federal jurisdiction and in the State of Louisiana. DESI is no longer subject to income tax examination by U.S. federal jurisdiction and by the Louisiana state taxing authorities for the years before 2019. DESI recognizes interest expense and penalties in operating expenses. There were no penalties or interest recognized during the years ended December 31, 2022 and 2021.

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Pension Benefits

Narrative Description

The National Rural Electric Cooperative Association (NRECA) Retirement Security Plan (the RS Plan) is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is a multiemployer plan under the accounting standards. The RS Plan sponsor's Employer Identification Number is 53-0116145 and the RS Plan number is 333.

A unique characteristic of a multiemployer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

Plan Information

The Cooperative's contributions to the RS Plan in 2022 and 2021 represented less than five percent of the total contributions made to the RS Plan by all participating employers. The Cooperative made contributions to the RS Plan of \$4,675,335 in 2022 and \$4,193,746 in 2021. There have been no significant changes that affect the comparability of 2022 and 2021 contributions. Pension expense for the years ended December 31, 2022 and 2021, including amortization, was \$5,255,942 and \$4,774,352, respectively.

For the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the Retirement Security Plan was over 80% funded on January 1, 2022 and at January 1, 2021 based on the PPA funding target and PPA actuarial value of assets on those dates.

Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

The employees also participate in a 401(k) plan, a defined contribution plan provided through National Rural Electric Cooperative Association. The Cooperative makes semi-monthly contributions to the plan matching up to four percent of an employee's salary. The cost for the Cooperative was \$581,654 and \$550,534 for the years ended December 31, 2022 and 2021, respectively.

16. Post-Retirement Benefits Other than Pensions

The Cooperative continues to fund benefit costs on a pay-as-you-go basis. The benefit provided by the Cooperative is certain health insurance coverage for retired employees. Substantially all of the Cooperative's employees may become eligible for these benefits if they reach normal retirement age while working for the Cooperative. Such benefits are provided through a self-insured plan, which has a stop loss of \$100,000 per claim. The total claims and administrative fees paid, net of premiums collected, were \$2,566,562 and \$2,010,031 for 2022 and 2021, respectively.

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following is summary information on the Cooperative's plan:

	December 31,	
	<u>2022</u>	<u>2021</u>
I) Funded Status at End of Year:		
APBO Balance	\$ (33,435,050)	\$ (45,574,926)
Fair Value of Plan Assets		
APBO in Excess of Plan Assets	<u>\$ (33,435,050)</u>	<u>\$ (45,574,926)</u>
II) Amounts Recognized in the Balance Sheets:		
Current Liability	\$ (1,921,354)	\$ (1,873,872)
Noncurrent Liability	(31,513,696)	(43,701,054)
Unrecognized Actuarial Loss - Deferred Charge	28,032,371	40,172,247
Net Accumulated Post-Retirement Benefit Obligation	<u>\$ (5,402,679)</u>	<u>\$ (5,402,679)</u>
III) Amounts Not Yet Recognized in Net Periodic		
Post-Retirement Benefit Cost		
Unrecognized Actuarial Loss	\$ 28,032,371	\$ 40,172,247
Net Prior Service Credit		
Deferred Charge - Unrecognized Actuarial Loss	<u>\$ 28,032,371</u>	<u>\$ 40,172,247</u>
IV) Net Periodic Benefit Cost - Recognized in Deferred Charges:		
Service Cost	\$ 961,557	\$ 1,062,863
Interest Cost	1,485,836	1,383,039
Actuarial Gain (Loss)	(12,713,397)	(2,972,263)
Net Periodic Benefit Cost - Deferred Charge	<u>\$ (10,266,004)</u>	<u>\$ (526,361)</u>
V) Amounts Recognized in Deferred Charges:		
Estimated Premiums Paid by the Cooperative	<u>\$ (1,873,872)</u>	<u>\$ (1,899,395)</u>
VI) Amount Recognized in Statements of		
Income and Patronage Capital:		
Actual Premiums Expensed by the Cooperative	<u>\$ 2,353,438</u>	<u>\$ 1,831,490</u>

Economic Assumptions

The discount rate used to develop the accumulated post-retirement benefit obligation (APBO) was 5.50% and 3.40%, for the years ended December 31, 2022 and 2021, respectively. The assumed health care cost trend rates are as follows for 2022:

	<u>Trend Rate</u>	<u>Declining to Over 7 Years</u>
Pre-65 - Medical and Drug	6.88%	5.00%
Post-65 - Medical and Drug	4.93%	4.60%

The Cooperative has not funded plan assets as of December 31, 2022 and 2021.

As discussed in Note 8, the Cooperative recognizes post-retirement expense for rate making purposes on a pay-as-you-go method in accordance with LPSC Order Number S-32362.

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Estimated future benefit payments for the next five years and the five years thereafter are as follows:

2023	\$ 1,921,354
2024	1,900,622
2025	1,891,505
2026	1,860,101
2027	1,858,785
2028 - 2032	9,389,936

17. Deferred Credits

Deferred Credits consist of the following:

	December 31,	
	2022	2021
Accrued Employee Compensated Absences	\$ 5,731,187	\$ 5,483,395
Unapplied Aid to Construction	22,150	25,000
LOA Payout	48,769	98,832
Unclaimed Property	225,730	171,063
Paycheck Protection Program Loan - Regulatory Liability		5,389,465
Storm Costs - Regulatory Liability	2,568,310	2,549,938
Other	114,653	371,761
	<u>\$ 8,710,799</u>	<u>\$ 14,089,454</u>

The Cooperative has recorded contingent liabilities for anticipated disallowance of Federal Emergency Management Agency (FEMA) claims totaling \$2,568,310 and \$2,549,938 as of December 31, 2022 and 2021, respectively.

During the year ended December 31, 2022, the Cooperative fully amortized the Paycheck Protection Program Loan to expense. The amortization of the regulatory liability offset expenses according to the approved emergency rate relief application.

18. Self-Funded Insurance Programs

The Cooperative is exposed to various claims relating to its business, including those for which self-insurance is provided. Claims for which the Cooperative has ongoing self-insurance liabilities include: general liability claims by third parties for injury, or property damage caused by equipment, or personnel and medical related liability claims. These types of claims may take a substantial amount of time to resolve and, accordingly, the ultimate liability associated with a particular claim, including claims incurred but not reported as of a period-end reporting date, may not be known for an extended period of time. The methodology for developing self-insurance reserves is based on management estimates and independent third-party actuarial estimates. The estimation process considers, among other matters, the cost of known claims over time, cost of inflation and incurred but not reported claims. These estimates may change based on, among other things, changes in claim history or

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

receipt of additional information relevant to assessing the claims. Further, these estimates may prove to be inaccurate due to factors such as adverse judicial determinations or other claim settlements at higher than estimated amounts. Accordingly, the Cooperative may be required to increase or decrease its reserve levels.

Effective January 1, 2014, the Cooperative became self-insured for medical claims. The claims reserves related to general liability and medical liability, which are included in "other current and accrued liabilities" in the consolidated balance sheets, totaled \$572,015 and \$358,839 at December 31, 2022 and 2021, respectively.

The Cooperative has established a self-insurance program covering medical benefits for substantially all of its employees. The Cooperative limits its losses through the use of stop-loss policies from reinsurers. Specific individual losses for claims are limited to \$100,000 a year. For the year ended December 31, 2022, the Cooperative contributed \$2,787,434, paid administrative fees of \$1,024,736, collected reinsurance of \$462,099, and Employees and Retirees contributed \$1,055,729.

19. Related Party Transactions

The Cooperative collects voluntary contribution from customer billing and remits them to The DEMCO Foundation, Inc. (the Foundation), a related party through common management. DEMCO remitted \$371,373 and \$322,624 of contributions to the Foundation for the years ended December 31, 2022 and 2021, respectively. Included in other accounts receivable are services due from the Foundation of \$67,704 and \$46,404 as of December 31, 2022 and 2021, respectively.

20. Commitments, Contingencies and litigation

The Cooperative is committed under a wholesale power agreement to purchase its electric power and energy requirements from Cleco Power, L.L.C. through April 1, 2024. The Cooperative has assigned its receivables to Cleco Power, L.L.C. as security for its contractual obligations.

On July 15, 2021, the Cooperative entered into a full requirements power supply agreement with Nextera Energy Marketing, LLC (Nextera) and the LPSC approved the power supply agreement during the year 2022. On November 23, 2022, finalized the full requirements power supply agreement with Nextera. The anticipated date the Cooperative will begin buying power from Nextera is April 1, 2024.

The Cooperative is a litigant in several lawsuits. Management, on the advice of legal counsel, believes that such proceedings and contingencies will not have a material effect on the Cooperative. The ultimate outcome of these matters cannot presently be determined and no specific provision for any liability or asset that may result from the claims have been made in the consolidated financial statements. The Cooperative does estimate a reserve for general liability claims and believes that the amount recorded as reserves for claims is sufficient to cover any expected losses in the future.

The Cooperative is committed to purchasing meters and metering equipment from a vendor as of December 31, 2022 in the amount of \$4,849,000.

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

21. Natural Disasters

The Cooperative experiences natural disasters on occasion and, as a result, requests funding from the Federal Emergency Management Agency (FEMA) based on the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act). As part of the process of requesting funds from FEMA, the Cooperative must comply with the provisions of the Louisiana Homeland Security and Emergency Assistance and Disaster Act (Louisiana Disaster Act). Compliance with the Louisiana Disaster Act is administered by the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP). GOHSEP is currently auditing the Cooperative's project worksheets for DR-1603 (Hurricane Katrina) and DR-1786 (Hurricane Gustav). Based on the Stafford Act and the Louisiana Disaster Act, GOHSEP has the responsibility as the recipient of FEMA funds to disallow ineligible expenditures during the course of their audits.

There are currently \$3,320,513 of project worksheets in the closeout process for Hurricane Katrina. During 2021, the Cooperative has recorded a liability totaling \$1,494,231 due to the Cooperative's inability to fully provide GOHSEP with supporting documentation for the projects pending closeout.

There are currently \$27,018,623 of project worksheets in the closeout process for Hurricane Gustav of which \$25,363,186 has been paid to the Cooperative. During 2019, the Cooperative was notified by GOHSEP that a recouped amount of \$890,247 was due for DR-1786 Hurricane Gustav, Project Worksheet No. PW-2155. During 2021, the Cooperative was placed in a hold position and prohibited from receiving additional funds from GOHSEP unless \$265,000 was paid to GOHSEP. The Cooperative fulfilled GOHSEP's request along with recording an additional liability of \$1,055,707. The recorded liability represents amounts overpaid by GOHSEP. During 2022, GOHSEP requested an additional payment of \$72,666 related to DR-1786 PW-2836. This payment reduced the liability to \$983,041 as of December 31, 2022.

During October 2020, Southern Louisiana suffered considerable damage from Hurricane Delta; resulting in the President of the United States issuing a major disaster declaration (DR-4570) for 15 parishes, which include all parishes in the Cooperative's service territory. Upon completion of the project worksheets for each parish the Cooperative anticipates payment from GOHSEP.

During February 2021, Southern Louisiana suffered considerable damage from Winter Storm Uri; resulting in the President of the United States issuing a major disaster declaration (DR-4590) for twenty-nine parishes for all categories of assistance, which include three parishes in the Cooperative's service territory. The Cooperative has recorded a receivable from FEMA of \$1,710,390. Upon completion of the project worksheets for each parish the Cooperative anticipates payment from GOHSEP. Based on accounting guidance and historical data the Cooperative chose to record an additional contingent liability related to this disaster in the amount of \$91,039 as of December 31, 2022.

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

During August 2021, Southern Louisiana suffered considerable damage from Hurricane Ida; resulting in the President of the United States issuing a major disaster declaration (DR-4611) for twenty-nine parishes for all categories of assistance, which include all parishes in the Cooperative's service territory. Restoration efforts as of December 31, 2021 are still on-going. The Cooperative recorded all known and measurable costs associated with the restoration effort to construction work in progress and retirement work in progress totaling \$55,988,098 and \$22,590, respectively. Upon completion of the restoration and the project worksheet for each parish the Cooperative will then record a receivable from GOHSEP. As of December 31, 2022, the Cooperative has recorded a receivable in the amount of \$7,623,277.

As of December 31, 2022 and 2021 the Cooperative has a liability recorded on its balances sheets related to Winter Storm Uri and Hurricanes Katrina and Gustav of \$2,568,311 and \$2,549,938, respectively.

22. Subsequent Events

The Cooperative has evaluated all subsequent events through April 18, 2023, the date the consolidated financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

Schedule 1

CONSOLIDATING INFORMATION
BALANCE SHEET
DECEMBER 31, 2022

	ASSETS				
	<u>DEMCO</u>	<u>DEMCO Energy Services, Inc.</u>	<u>Dixie Business Development Center, Inc.</u>	<u>Eliminating Entries</u>	<u>Consolidated Total</u>
UTILITY PLANT					
Electric Plant in Service	\$ 750,737,593	\$	\$	\$	\$ 750,737,593
Other Fixed Assets		84,799	1,659,286		1,744,085
Construction Work in Progress	<u>75,506,020</u>				<u>75,506,020</u>
	\$ 826,243,613	\$ 84,799	\$ 1,659,286	\$ 0	\$ 827,987,698
Less: Accumulated Depreciation	<u>203,146,841</u>	<u>35,537</u>	<u>744,209</u>		<u>203,926,587</u>
Total Utility Plant, net	<u>\$ 623,096,772</u>	<u>\$ 49,262</u>	<u>\$ 915,077</u>	<u>\$ 0</u>	<u>\$ 624,061,111</u>
INVESTMENTS AND OTHER ASSETS					
Investments in Associated Organizations	\$ 10,676,965	\$ 1,000	\$	\$	\$ 10,677,965
Investments, at cost plus equity in undistributed earnings	1,477,055			(1,477,055)	
Notes Receivable, Long-Term Portion	<u>128,304</u>				<u>128,304</u>
Total Investments and Other Assets	<u>\$ 12,282,324</u>	<u>\$ 1,000</u>	<u>\$ 0</u>	<u>\$ (1,477,055)</u>	<u>\$ 10,806,269</u>
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 7,114,366	\$ 482,111	\$ 36,099	\$	\$ 7,632,576
Current Portion of Notes Receivable	142,000				142,000
Accounts Receivable					
Consumers, net of allowance of \$2,400,685	13,866,188				13,866,188
FEMA, net of allowance of \$0	9,333,666				9,333,666
Intercompany Receivables	193,075	177,001		(370,076)	
Other Receivables, net of allowance of \$0	3,934,488				3,934,488
Unbilled Revenue	17,179,436				17,179,436
Under-Collected Purchase Power Cost Adjustment	7,712,900				7,712,900
Materials and Supplies	8,383,208	21,399			8,404,607
Other Current and Accrued Assets	<u>1,757,843</u>	<u>2,726</u>	<u>3,763</u>		<u>1,764,332</u>
Total Current Assets	<u>\$ 69,617,170</u>	<u>\$ 683,237</u>	<u>\$ 39,862</u>	<u>\$ (370,076)</u>	<u>\$ 69,970,193</u>
DEFERRED CHARGES					
Deferred Charges	\$ 32,874,058	\$	\$	\$	\$ 32,874,058
Deferred Income Tax Asset		114,340			114,340
	<u>\$ 32,874,058</u>	<u>\$ 114,340</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 32,988,398</u>
TOTAL ASSETS	<u>\$ 737,870,324</u>	<u>\$ 847,839</u>	<u>\$ 954,939</u>	<u>\$ (1,847,131)</u>	<u>\$ 737,825,971</u>
EQUITIES AND LIABILITIES					
EQUITIES					
Memberships	\$ 374,625	\$	\$	\$	\$ 374,625
Net Investment in Fixed Assets			878,419	(878,419)	
Undesignated			(195,275)	195,275	
Patronage Capital	119,834,026				119,834,026
Other Equities (Deficits)	(914,376)				(914,376)
Member's Equity		<u>793,911</u>		<u>(793,911)</u>	
Total Equities	<u>\$ 119,294,275</u>	<u>\$ 793,911</u>	<u>\$ 683,144</u>	<u>\$ (1,477,055)</u>	<u>\$ 119,294,275</u>
LONG-TERM DEBT					
Notes Payable, Less Current Maturities	\$ 417,140,913	\$	\$ 8,250	\$	\$ 417,149,163
Deferred Interest - RUS Notes	79,190				79,190
Total Long-Term Debt	<u>\$ 417,220,103</u>	<u>\$ 0</u>	<u>\$ 8,250</u>	<u>\$ 0</u>	<u>\$ 417,228,353</u>
NON-CURRENT LIABILITIES					
Post-Retirement Benefit Obligation	\$ 31,513,696	\$ 0	\$ 0	\$ 0	\$ 31,513,696
CURRENT LIABILITIES					
Current Maturities of Notes Payable	\$ 15,695,174	\$	\$ 28,408	\$	\$ 15,723,582
Current Portion of Post-Retirement Benefit Obligation	1,921,354				1,921,354
Lines of Credit	88,493,079				88,493,079
Accounts Payable - Purchased Power	33,542,817				33,542,817
Accounts Payable - Other	6,406,382	7,549	2,987		6,416,918
Intercompany Payables	177,001		193,075	(370,076)	
Consumer Deposits	8,948,000				8,948,000
Accrued Taxes	796,108	1,937			798,045
Accrued Interest	3,408,815				3,408,815
Other Current and Accrued Liabilities	<u>1,742,721</u>	<u>44,442</u>	<u>39,075</u>		<u>1,826,238</u>
Total Current Liabilities	<u>\$ 161,131,451</u>	<u>\$ 53,928</u>	<u>\$ 263,545</u>	<u>\$ (370,076)</u>	<u>\$ 161,078,848</u>
DEFERRED CREDITS	<u>\$ 8,710,799</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 8,710,799</u>
TOTAL EQUITIES AND LIABILITIES	<u>\$ 737,870,324</u>	<u>\$ 847,839</u>	<u>\$ 954,939</u>	<u>\$ (1,847,131)</u>	<u>\$ 737,825,971</u>

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

Schedule 2

CONSOLIDATING INFORMATION
STATEMENT OF OPERATIONS AND PATRONAGE CAPITAL
DECEMBER 31, 2022

	<u>DEMCO</u>	<u>DEMCO Energy Services, Inc.</u>	<u>Dixie Business Development Center, Inc.</u>	<u>Eliminating Entries</u>	<u>Consolidated Total</u>
OPERATING REVENUE					
Residential	\$ 242,510,912	\$	\$	\$	\$ 242,510,912
Small Commercial	28,512,611				28,512,611
Large Commercial	36,789,574				36,789,574
Public Street and Highway Lighting	301,810				301,810
Other Sales to Public Authorities	1,675,997				1,675,997
Rent from Electric and Other Property	1,960,043		239,900		2,199,943
Other Revenue	4,305,542	446,361	8,370		4,760,273
Total Operating Revenues	<u>\$ 316,056,489</u>	<u>\$ 446,361</u>	<u>\$ 248,270</u>	<u>\$ 0</u>	<u>\$ 316,751,120</u>
OPERATING EXPENSES					
Purchased Power	\$ 206,021,826	\$	\$	\$	\$ 206,021,826
Cost of Sales		9,570			9,570
Transmission - Operation	632,245				632,245
Transmission - Maintenance	311,988				311,988
Distribution - Operation	5,902,441				5,902,441
Distribution - Maintenance	26,260,392				26,260,392
Consumer Accounts	8,089,297				8,089,297
Customer Service and Information	199,450				199,450
Selling Expenses	1,017,769				1,017,769
Administrative and General Expenses	13,159,512	125,526	213,643		13,498,681
Depreciation	23,734,720	10,800	52,897		23,798,417
Taxes and Penalties	7,238,857	46,968			7,285,825
Other Expenses	(243,283)				(243,283)
Total Operating Expenses	<u>\$ 292,325,214</u>	<u>\$ 192,864</u>	<u>\$ 266,540</u>	<u>\$ 0</u>	<u>\$ 292,784,618</u>
Operating Margins (Deficits) before Fixed Charges	<u>\$ 23,731,275</u>	<u>\$ 253,497</u>	<u>\$ (18,270)</u>	<u>\$ 0</u>	<u>\$ 23,966,502</u>
FIXED CHARGES					
Interest on Long-Term Debt	\$ 13,852,699	\$	\$	\$	\$ 13,852,699
Amortization of Reacquired Debt	23,616				23,616
Other Interest	2,712,504		44		2,712,548
Total Fixed Charges	<u>\$ 16,588,819</u>	<u>\$ 0</u>	<u>\$ 44</u>	<u>\$ 0</u>	<u>\$ 16,588,863</u>
Operating Margins (Deficits) after Fixed Charges	<u>\$ 7,142,456</u>	<u>\$ 253,497</u>	<u>\$ (18,314)</u>	<u>\$ 0</u>	<u>\$ 7,377,639</u>
OTHER CAPITAL CREDITS					
	<u>\$ 794,609</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 794,609</u>
NONOPERATING MARGINS					
Interest Income	\$ 144,640	\$	\$	\$	\$ 144,640
Other Income	(19,191)				(19,191)
Affiliated Company Income	233,565			(233,565)	
Total Nonoperating Margins	<u>\$ 359,014</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (233,565)</u>	<u>\$ 125,449</u>
NET MARGINS (DEFICITS) BEFORE PROVISION FOR INCOME TAXES					
	<u>\$ 8,296,079</u>	<u>\$ 253,497</u>	<u>\$ (18,314)</u>	<u>\$ (233,565)</u>	<u>\$ 8,297,697</u>
PROVISION FOR INCOME TAX EXPENSE					
	<u>(17,100)</u>	<u>(1,618)</u>			<u>(18,718)</u>
NET MARGINS (DEFICITS)					
	<u>\$ 8,278,979</u>	<u>\$ 251,879</u>	<u>\$ (18,314)</u>	<u>\$ (233,565)</u>	<u>\$ 8,278,979</u>
PATRONAGE CAPITAL - BEGINNING OF PERIOD					
	111,914,061	542,032	701,458	(1,243,490)	111,914,061
Transfer Non-Operating Margins to Other Equities					
	<u>(359,014)</u>				<u>(359,014)</u>
PATRONAGE CAPITAL - END OF PERIOD					
	<u>\$ 119,834,026</u>	<u>\$ 793,911</u>	<u>\$ 683,144</u>	<u>\$ (1,477,055)</u>	<u>\$ 119,834,026</u>

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

Schedule 3

**CONSOLIDATING INFORMATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022**

	DEMCO	DEMCO Energy Services, Inc.	Dixie Business Development Center, Inc.	Eliminating Entries	Consolidated Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Net Margins (Deficits)	\$ 8,278,979	\$ 251,879	\$ (18,314)	\$ (233,565)	\$ 8,278,979
Adjustments to Reconcile Net Margins to Net Cash From Operating Activities					
Depreciation	25,211,240	10,800	52,897		25,274,937
Capital Credits	(591,827)				(591,827)
Affiliated Company Income	(233,565)			233,565	
(Increase) Decrease					
Accounts Receivable	829,167				829,167
Accounts Receivable - Other	674,098		1,950		676,048
Accounts Receivable - Intercompany	109,598	(177,001)		67,403	
Unbilled Revenue	(7,060,310)				(7,060,310)
Under-Collected Purchased Power Cost Adjustment	(5,863,381)				(5,863,381)
Inventories and Other Current and Accrued Assets	(869,487)	1,507	(1,314)		(869,294)
Deferred Charges	3,632,837				3,632,837
Deferred Income Taxes		(2,126)			(2,126)
Increase (Decrease)					
Accounts Payable and Other Current Liabilities	1,371,387	21,520	1,988		1,394,895
Accounts Payable - Purchased Power	21,272,145				21,272,145
Accounts Payable - Intercompany	177,001	(121,470)	11,872	(67,403)	
Deferred Credits	(5,378,655)				(5,378,655)
Net Cash From Operating Activities	<u>\$ 41,559,227</u>	<u>\$ (14,891)</u>	<u>\$ 49,079</u>	<u>\$ 0</u>	<u>\$ 41,593,415</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Additions to Plant	\$ (33,110,015)	\$ (28,860)	\$ (31,433)		\$ (33,170,308)
Plant Removal Costs Over Salvage and Other Credits	(4,939,096)				(4,939,096)
Accounts Receivable - FEMA Disaster Grants	(6,207,373)				(6,207,373)
Hurricane Ida Accounts Payable Financed by DEMCO	(27,408,283)				(27,408,283)
Other Property and Investments	1,061,735				1,061,735
Net (Advances) Payments - Notes Receivable	24,455				24,455
Net Cash From Investing Activities	<u>\$ (70,578,577)</u>	<u>\$ (28,860)</u>	<u>\$ (31,433)</u>	<u>\$ 0</u>	<u>\$ (70,638,870)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Payments on Long-Term Debt - RUS	\$ (2,217,880)				\$ (2,217,880)
Payments on Long-Term Debt - FFB	(8,500,448)				(8,500,448)
Payments on Long-Term Debt - CoBank	(2,218,724)				(2,218,724)
Payments on Long-Term Debt - CFC	(2,003,447)				(2,003,447)
Payments on Long-Term Debt - Other	(1,873,872)		(16,510)		(1,890,382)
Net Advances - Line of Credit	41,456,996				41,456,996
Memberships and Other Equities	2,695				2,695
Net Cash From Financing Activities	<u>\$ 24,645,320</u>	<u>\$ 0</u>	<u>\$ (16,510)</u>	<u>\$ 0</u>	<u>\$ 24,628,810</u>
CHANGE IN CASH AND CASH EQUIVALENTS	\$ (4,374,030)	\$ (43,751)	\$ 1,136	\$ 0	\$ (4,416,645)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	11,488,396	525,862	34,963		12,049,221
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 7,114,366</u>	<u>\$ 482,111</u>	<u>\$ 36,099</u>	<u>\$ 0</u>	<u>\$ 7,632,576</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION					
Cash Paid During the Year for:					
Interest on Long-Term Debt	\$ 13,834,889	\$ 0	\$ 44	\$ 0	\$ 13,834,933
Federal and State Income Taxes	<u>\$ 0</u>	<u>\$ 4,900</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,900</u>

DIXIE ELECTRIC MEMBERSHIP CORPORATION

**SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
YEAR ENDED DECEMBER 31, 2022**

Agency Head Name: Randy Pierce, CEO

Purpose	Amount
Salary	\$ 0
Benefits - Insurance	0
Benefits - Retirement	0
Car Allowance	0
Vehicle Provided by Cooperative	0
Per Diem	0
Reimbursements	0
Travel	0
Registration Fees	0
Conference Travel	0
Continuing Professional Education	0
Housing	0
Unvouchered Expenses	0
Special Meals	0

DIXIE ELECTRIC MEMBERSHIP CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Assistance Listing Number</u>	<u>Total Federal Expenditures</u>	<u>Amount Passed Through to Subrecipient</u>
FEDERAL AWARDS				
<u>U.S. Department of Homeland Security</u>				
Federal Emergency Management Agency Passed through Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP)				
Public Assistance (Presidentially Declared Disasters)		97.036	\$ 9,497,084	\$ _____
Total Department of Homeland Security and Federal Awards			<u>\$ 9,497,084</u>	<u>\$ 0</u>

NOTE A—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Dixie Electric Membership Corporation under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Dixie Electric Membership Corporation, it is not intended to and does not present the financial position, changes in net position, or cash flows of Dixie Electric Membership Corporation.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting based on when the funds are obligated by the awarding entity. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C—INDIRECT COST RATE

Dixie Electric Membership Corporation has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

NOTE D—AMOUNTS INCLUDED IN THE SEFA

Dixie Electric Membership Corporation incurred expenses reported on this Schedule of Expenditures of Federal Awards in the amount of \$9,418,706 that were incurred during the year ended December 31, 2021.

COMPLIANCE AND INTERNAL CONTROL SECTION

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

**REPORT ON COMPLIANCE WITH ASPECTS OF CONTRACTUAL
AGREEMENTS AND REGULATORY REQUIREMENTS FOR ELECTRIC BORROWERS**

Independent Auditor's Report

Board of Directors
Dixie Electric Membership Corporation
Greenwell Springs, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Dixie Electric Membership Corporation (the Cooperative), which comprise the balance sheet as of December 31, 2022, and the related statement of operations and patronage capital, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 18, 2023. In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2023, on our consideration of the Cooperative'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. No reports other than the reports referred to above and our schedule of findings and recommendations related to our audit have been furnished to management.

In connection with our audit, nothing came to our attention that caused us to believe that the Cooperative failed to comply with the terms, covenants, provisions, or conditions of their loan, grant, and security instruments as set forth in 7 CFR Part 1773, *Policy on Audits of Rural Utilities Service Borrowers*, §1773.33 and clarified in the RUS policy memorandum dated February 7, 2014, insofar as they relate to accounting matters as enumerated below. However, our audit was not directed primarily toward obtaining knowledge of noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Cooperative's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the contractual agreements and regulatory requirements, insofar as they relate to accounting matters. In connection with our audit, we noted no matters regarding the Cooperative's accounting and records to indicate that the Cooperative did not:

Maintain adequate and effective accounting procedures;

Utilize adequate and fair methods for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance or other expense accounts;

Reconcile continuing property records to the controlling general ledger plant accounts;

Clear construction accounts and accrue depreciation on completed construction;

Record and properly price the retirement of plant;

Seek approval of the sale, lease or transfer capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap;

Maintain adequate control over materials and supplies;

Prepare accurate and timely Financial and Operating Reports;

Obtain written RUS approval to enter into any contract for the management, operation, or maintenance of the borrower's system if the contract covers all or substantially all of the electric system;

Disclose material related party transactions in the financial statements in accordance with requirements for related parties in generally accepted accounting principles;

Record depreciation in accordance with RUS requirements (See RUS Bulletin 183-1, Depreciation Rates and Procedures);

Comply with the requirements for the detailed schedule of deferred debits and deferred credits See notes 8 and 17; and

Comply with the requirements for the detailed schedule of investments. See Notes 4 and 5.

The purpose of this report is solely to communicate, in connection with the audit of the financial statements, on compliance with aspects of contractual agreements and the regulatory requirements for electric borrowers based on the requirements of 7 CFR Part 1773, *Policy on Audits of Rural Utilities Service Borrowers and Grantees*. Accordingly, this report is not suitable for any other purpose.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

April 18, 2023

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditor's Report

Board of Directors
Dixie Electric Membership Corporation
Greenwell Springs, 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 Dixie Electric Membership Corporation, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Dixie Electric Membership Corporation's financial statements, and have issued our report thereon dated April 18, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Dixie Electric Membership Corporation'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 on the effectiveness of Dixie Electric Membership Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Dixie Electric Membership Corporation'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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

However, material weaknesses and significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Bolinger, Segars, Gilbert & Moss L.L.P.

Certified Public Accountants

Lubbock, Texas

April 18, 2023

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
Dixie Electric Membership Corporation
Greenwell Springs, Louisiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Dixie Electric Membership Corporation's (the Cooperative) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Cooperative's major federal programs for the year ended December 31, 2022. The Cooperative's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Cooperative complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Cooperative and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Cooperative's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Cooperative's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Cooperative's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Cooperative's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Cooperative's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Cooperative's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

April 18, 2023

DIXIE ELECTRIC MEMBERSHIP CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2022

A. Section I - Summary of Auditor's Results:

1. Financial Statements

Type of auditor's report issued Unmodified
Internal control over financial reporting
Material weakness(es) identified? Yes No X
Significant deficiencies identified that are not considered to be material weaknesses? Yes No X
Noncompliance material to financial statements noted? Yes No X

2. Federal Awards

Internal control over major programs:
Material weakness(es) identified? Yes No X
Significant deficiency identified that are not considered to be material weaknesses? Yes No X
Type of auditor's report issued on compliance for major programs Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No X

Identification of major programs:

CFDA Number(s)

97.036

Name of Federal Program or Cluster

Public Assistance Grant (Presidentially Declared Disasters)

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

Yes No X

DIXIE ELECTRIC MEMBERSHIP CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022

None for the year ended December 31, 2022

DIXIE ELECTRIC MEMBERSHIP CORPORATION

SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2022

[2021-1] – Unreconciled Cash Accounts

Criteria: Cash reconciliations should be prepared monthly to ensure proper amounts are being recorded in the financial statements and as an important control against theft.

Condition: Cash was unreconciled at year end with a difference of \$263,403.

Cause: Software implementation issues.

Effect or potential effect: Unsubstantiated amounts were recorded in the financial statements.

Recommendation: Procedures should be established to ensure that all cash accounts including clearing accounts are reconciled on a monthly basis and that all reconciliations are reviewed by an individual not preparing the reconciliation.

Update: This corrective action plan was implemented during the year ended December 31, 2022.

[2021-2] – Unreconciled Accounts

Criteria: Reconciliations should be prepared at appropriate intervals on all balance sheet accounts to ensure proper amounts are being recorded in the financial statements.

Condition: Miscellaneous balances sheet accounts were unreconciled at year end.

Cause: No procedures in place dictating the timing of reconciliations or the review process of reconciliations.

Effect or potential effect: Increased potential for misstatements in the financial statements.

Recommendation: Procedures should be established to ensure that all balance sheet accounts are reconciled and reviewed on a timely basis.

Update: This corrective action plan was implemented during the year ended December 31, 2022.