

**DIXIE ELECTRIC MEMBERSHIP CORPORATION  
GREENWELL SPRINGS, LOUISIANA**

**UNIFORM GUIDANCE COMPLIANCE REPORTING PACKAGE**

**FOR THE YEAR ENDED DECEMBER 31, 2023**

**AND**

**REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

**DIXIE ELECTRIC MEMBERSHIP CORPORATION  
GREENWELL SPRINGS, LOUISIANA**

**UNIFORM GUIDANCE COMPLIANCE REPORTING PACKAGE  
FOR THE YEAR ENDED DECEMBER 31, 2023**

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

CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON THE SCHEDULE  
OF EXPENDITURES OF FEDERAL AWARDS 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 Program***

We have audited Dixie Electric Membership Corporation's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Dixie Electric Membership Corporation's major federal programs for the year ended December 31, 2023. Dixie Electric Membership Corporation'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, Dixie Electric Membership Corporation 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, 2023.

***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 Dixie Electric Membership Corporation (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 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.

### ***Auditor's 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 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.
- 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 schedule.

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 Auditor's 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control 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.

## **Purpose of This Report**

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.

## **Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of Dixie Electric Membership Corporation as of and for the year ended December 31, 2023, and have issued our report thereon dated April 15, 2024, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. We have not performed any procedures on the audited financial statements subsequent to the date of the auditor's report on those financial statements.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Bolinger, Segars, Gilbert & Moss LLP*

Certified Public Accountants

Lubbock, Texas

June 4, 2024

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

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

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 (the Cooperative), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements, and have issued our report thereon dated June 4, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Cooperative'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 the Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cooperative'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 were not identified.

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cooperative'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 LLP*

Certified Public Accountants

Lubbock, Texas

June 4, 2024

**DIXIE ELECTRIC MEMBERSHIP CORPORATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

I. Summary of Auditor's Results

**Financial Statements:**

Type of Auditor's report issued on the financial statements: **Unmodified**

Internal Control over Financial Reporting

Material Weaknesses: **None Reported**

Significant Deficiencies: **None Reported**

Noncompliance which is material to the financial statements: **No**

**Federal Awards:**

Type of Auditor's report issued on compliance for major programs: **Unmodified**

Internal Control over Major Federal Programs

Material Weaknesses: **None Reported**

Significant Deficiencies: **None Reported**

Did the audit disclose findings which are required to be reported under 2 CFR 200.516(a): **No**

Major programs include: **97.036 Public Assistance Grant (Presidentially Declared Disasters)**

Dollar threshold used to distinguish between Type A and Type B programs: **\$1,312,084**

Low risk auditee: **No**

II. Financial Statement Findings

**None Reported**

III. Federal Award Findings and Questioned Costs

**None Reported**

**DIXIE ELECTRIC MEMBERSHIP CORPORATION**

**SCHEDULE OF STATUS OF CURRENT AND PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

Current Year's Findings/Noncompliance

None for the year ended December 31, 2023.

Prior Year's Findings/Noncompliance

N/A – No Compliance Report in the Prior Year

**DIXIE ELECTRIC MEMBERSHIP CORPORATION**

**SCHEDULE OF COMPENSATION, BENEFITS AND OTHER  
PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER  
YEAR ENDED DECEMBER 31, 2023**

**Agency Head Name: Randy Pierce, CEO**

<b>Purpose</b>	<b>Amount</b>
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**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Assistance Listing Number</u>	<u>Total Federal Expenditures</u>	<u>Amount Passed Through to Subrecipient</u>
<b>FEDERAL AWARDS</b>				
<u>U.S. Department of Homeland Security</u>				
Federal Emergency Management Agency Passed through the Government Office of Homeland Security and Emergency Preparedness (GOHSEP)				
Public Assistance Grant (Presidentially Declared Disasters)	DR 4570 and DR 4611	97.036	\$ 43,736,136	\$ _____
Total Department of Homeland Security and Federal Awards			<u>\$ 43,736,136</u>	<u>\$ 0</u>

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of Dixie Electric Membership Corporation (the Cooperative) and is presented on the accrual basis of accounting. 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 SEFA presents only a selected portion of the operations of the Cooperative, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Cooperative.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the accrual basis of accounting or 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 limited as to reimbursement.

**NOTE C – INDIRECT COST RATE**

The Cooperative has elected not to use 10% de minimis cost rate allowed under Uniform Guidance.

**NOTE D – AMOUNTS INCLUDED IN THE SEFA**

The Cooperative includes Expenditures of Federal Awards from Category Z costs (Management Costs). Eligible costs up to 5% of total expenditures are able to be claimed and cover costs of management of projects such as consulting and auditing services. The Cooperative included obligated funds for Category Z costs in the SEFA totaling \$385,587. For the year ended December 31, 2023, the Cooperative paid \$576,609 to their Federal Emergency Management Agency (FEMA) consultant.



**DIXIE ELECTRIC MEMBERSHIP CORPORATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**NOTE E – TOTAL FEMA FUNDS RECEIVED**

The Cooperative received a total of \$32,259,876 from FEMA during the year ended December 31, 2023. \$28,698,795 was received for Hurricane Ida, \$1,307,486 was received for Winter Storm Uri, and \$2,253,595 was received for Hurricane Delta.

**LOUISIANA 13**

**DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES  
GREENWELL SPRINGS, LOUISIANA**

**CONSOLIDATED FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

**AND**

**REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

**DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES  
GREENWELL SPRINGS, LOUISIANA**

**CONSOLIDATED FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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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, 2023 and 2022, 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, 2023 and 2022, 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 is presented for purposes of additional analysis and is 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 is 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 15, 2024 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 15, 2024

## DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

Exhibit A

CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2023 AND 2022

## ASSETS

	December 31,	
	2023	2022
<b>UTILITY PLANT</b>		
Electric Plant in Service	\$ 788,877,260	\$ 750,737,593
Other Fixed Assets	1,810,497	1,744,085
Right of Use Lease Assets	198,557	
Construction Work in Progress	31,276,619	75,506,020
	<u>\$ 822,162,933</u>	<u>\$ 827,987,698</u>
Less: Accumulated Provision for Depreciation	213,957,189	203,926,587
Total Utility Plant, Net	<u>\$ 608,205,744</u>	<u>\$ 624,061,111</u>
<b>INVESTMENTS AND OTHER ASSETS</b>		
Investments in Associated Organizations	\$ 11,273,813	\$ 10,677,965
Notes Receivable, Long-Term Portion	57,994	128,304
	<u>\$ 11,331,807</u>	<u>\$ 10,806,269</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 6,597,186	\$ 7,632,576
Current Portion of Notes Receivable	110,136	142,000
Accounts Receivable		
Consumers, net of allowance of \$590,935 in 2023 and \$2,400,685 in 2022	14,102,384	13,866,188
FEMA, net of allowance of \$0 in 2023 and \$0 in 2022	19,877,285	9,333,666
Other Receivables, net of allowance of \$535,687 in 2023 and \$0 in 2022	3,155,947	3,934,488
Unbilled Revenue	14,483,522	17,179,436
Under-Collected Purchase Power Cost Adjustment		7,712,900
Materials and Supplies	8,913,442	8,404,607
Other Current and Accrued Assets	2,226,278	1,764,332
	<u>\$ 69,466,180</u>	<u>\$ 69,970,193</u>
<b>DEFERRED CHARGES</b>		
Deferred Charges	\$ 22,884,152	\$ 32,874,058
Deferred Income Tax Asset	39,896	114,340
	<u>\$ 22,924,048</u>	<u>\$ 32,988,398</u>
<b>TOTAL ASSETS</b>	<u>\$ 711,927,779</u>	<u>\$ 737,825,971</u>

## EQUITIES AND LIABILITIES

<b>EQUITIES</b>		
Memberships	\$ 356,040	\$ 374,625
Patronage Capital	111,914,061	111,914,061
Other Equities	7,405,035	7,005,589
	<u>\$ 119,675,136</u>	<u>\$ 119,294,275</u>
<b>LONG-TERM DEBT</b>		
Notes Payable, Less Current Maturities	\$ 456,034,413	\$ 417,149,163
Financing Lease Obligations, Less Current Maturities	360,717	
Operating Right of Use Lease Obligations, Less Current Maturities	119,508	
Deferred Interest - RUS Notes	5,691	79,190
	<u>\$ 456,520,329</u>	<u>\$ 417,228,353</u>
<b>NON-CURRENT LIABILITIES</b>		
Post-Retirement Benefit Obligation	\$ 19,171,078	\$ 31,513,696
<b>CURRENT LIABILITIES</b>		
Current Maturities of Notes Payable	\$ 19,068,831	\$ 15,723,582
Current Maturities of Finance Lease Obligations	76,864	
Current Maturities of Right of Use Lease Obligations	79,049	
Current Portion of Post-Retirement Benefit Obligation	1,141,256	1,921,354
Lines of Credit	52,761,575	88,493,079
Accounts Payable - Purchased Power	10,753,146	33,542,817
Accounts Payable - Other	6,032,545	6,422,437
Over-Collected Purchase Power Cost Adjustment	809,192	
Consumer Deposits	9,282,409	8,948,000
Accrued Taxes	639,986	798,045
Accrued Interest	3,577,997	3,408,815
Other Current and Accrued Liabilities	1,740,515	1,826,238
	<u>\$ 105,963,365</u>	<u>\$ 161,084,367</u>
<b>DEFERRED CREDITS</b>		
	<u>\$ 10,597,871</u>	<u>\$ 8,705,280</u>
<b>TOTAL EQUITIES AND LIABILITIES</b>	<u>\$ 711,927,779</u>	<u>\$ 737,825,971</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, 2023 AND 2022**

	December 31,				Increase (Decrease)
	2023		2022		
	Amount	%	Amount	%	
<b>OPERATING REVENUES</b>					
Residential	\$ 194,406,188	76.5	\$ 242,510,912	76.6	\$ (48,104,724)
Commercial and Industrial - Small	23,395,966	9.2	28,512,611	9.0	(5,116,645)
Commercial and Industrial - Large	28,033,013	11.0	36,789,574	11.6	(8,756,561)
Public Street & Highway Lighting	248,078	0.1	301,810	0.1	(53,732)
Other Sales to Public Authorities	1,390,700	0.5	1,675,997	0.5	(285,297)
Rent from Electric and Other Property	1,733,610	0.7	2,199,943	0.7	(466,333)
Other Revenue	5,188,873	2.0	4,760,273	1.5	428,600
Total Operating Revenues	<u>\$ 254,396,428</u>	<u>100.0</u>	<u>\$ 316,751,120</u>	<u>100.0</u>	<u>\$ (62,354,692)</u>
<b>OPERATING EXPENSES</b>					
Purchased Power	\$ 147,941,102	58.2	\$ 206,021,826	65.0	\$ (58,080,724)
Cost of Sales	2,395	0.0	9,570	0.0	(7,175)
Transmission - Operation	685,473	0.3	632,245	0.2	53,228
Transmission - Maintenance	283,494	0.1	311,988	0.1	(28,494)
Distribution - Operation	7,980,652	3.1	5,902,441	1.9	2,078,211
Distribution - Maintenance	26,062,402	10.2	26,260,392	8.3	(197,990)
Consumer Accounts	6,219,734	2.4	8,089,297	2.6	(1,869,563)
Customer Service and Information	245,552	0.1	199,450	0.1	46,102
Selling Expenses	971,884	0.4	1,017,769	0.3	(45,885)
Administrative and General Expenses	16,301,378	6.4	13,498,681	4.3	2,802,697
Depreciation	24,990,377	9.8	23,798,417	7.5	1,191,960
Taxes and Penalties	7,009,008	2.8	7,144,123	2.3	(135,115)
Other Expenses	385,938	0.2	(101,581)	0.0	487,519
Total Operating Expenses	<u>\$ 239,079,389</u>	<u>93.8</u>	<u>\$ 292,784,618</u>	<u>92.6</u>	<u>\$ (53,705,229)</u>
<b>OPERATING MARGINS - BEFORE FIXED CHARGES</b>	<u>\$ 15,317,039</u>	<u>6.2</u>	<u>\$ 23,966,502</u>	<u>7.4</u>	<u>\$ (8,649,463)</u>
<b>FIXED CHARGES</b>					
Interest on Long-Term Debt	\$ 14,678,329	5.8	\$ 13,852,699	4.4	\$ 825,630
Amortization on Reacquired Debt	12,768	0.0	23,616	0.0	(10,848)
Other Interest	1,634,227	0.6	2,712,548	0.9	(1,078,321)
Total Fixed Charges	<u>\$ 16,325,324</u>	<u>6.4</u>	<u>\$ 16,588,863</u>	<u>5.3</u>	<u>\$ (263,539)</u>
<b>OPERATING MARGINS (DEFICITS) - AFTER FIXED CHARGES</b>	<u>\$ (1,008,285)</u>	<u>0.4</u>	<u>\$ 7,377,639</u>	<u>3.0</u>	<u>\$ (8,385,924)</u>
Other Capital Credits	1,303,386	0.5	794,609	0.3	508,777
<b>NET OPERATING MARGINS</b>	<u>\$ 295,101</u>	<u>0.9</u>	<u>\$ 8,172,248</u>	<u>3.3</u>	<u>\$ (7,877,147)</u>
<b>NONOPERATING MARGINS</b>					
Interest Income	\$ 213,061	0.1	\$ 144,640	0.0	\$ 68,421
Other Income (Loss)	(40,478)	0.0	(19,191)	0.0	(21,287)
Grant Income	33,494	0.0	0.0	0.0	33,494
Total Nonoperating Margins	<u>\$ 206,077</u>	<u>0.1</u>	<u>\$ 125,449</u>	<u>0.0</u>	<u>\$ 80,628</u>
<b>NET MARGINS BEFORE PROVISION FOR INCOME TAXES</b>	<u>\$ 501,178</u>	<u>1.0</u>	<u>\$ 8,297,697</u>	<u>3.3</u>	<u>\$ (7,796,519)</u>
<b>PROVISION FOR INCOME TAX EXPENSE</b>					
Current	\$ (27,286)	0.0	\$ (20,844)	0.0	\$ (6,442)
Deferred - State	(12,155)	0.0	57,448	0.0	(69,603)
Deferred - Federal	(62,289)	0.0	(55,322)	0.0	(6,967)
Total Provision for Income Tax Expense	<u>\$ (101,730)</u>	<u>0.0</u>	<u>\$ (18,718)</u>	<u>0.0</u>	<u>\$ (83,012)</u>
<b>NET MARGINS</b>	<u>\$ 399,448</u>	<u>1.0</u>	<u>\$ 8,278,979</u>	<u>3.3</u>	<u>\$ (7,879,531)</u>
<b>PATRONAGE CAPITAL - BEGINNING OF YEAR</b>	111,914,061		111,914,061		
Offset Prior Losses with Operating Margins			(7,919,965)		
Transfer Nonoperating Margins to Other Equities	(172,583)		(125,449)		
Transfer Subsidiary Margins to Other Equities	(290,675)		(233,565)		
Transfer Current Year Operating Deficit to Other Equities	63,810				
<b>PATRONAGE CAPITAL - END OF YEAR</b>	<u>\$ 111,914,061</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, 2023 AND 2022**

	December 31,	
	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Margin	\$ 399,448	\$ 8,278,979
Adjustments to Reconcile Net Margins to Net Cash From Operating Activities		
Depreciation	26,451,889	25,274,937
Forgiveness of Debt	(20,465)	
Capital Credits	(820,021)	(591,827)
(Increase) Decrease:		
Accounts Receivable	(236,196)	829,167
Accounts Receivable - Other	778,541	676,048
Unbilled Revenue	2,695,914	(7,060,310)
Under-Collected Purchased Power Cost Adjustment		(5,863,381)
Inventories and Other Current Assets	(970,781)	(869,294)
Deferred Charges	(1,896,299)	3,632,837
Deferred Income Taxes	74,444	(2,126)
Increase (Decrease):		
Accounts Payable and Other Accrued Liabilities	(130,084)	1,394,895
Accounts Payable - Purchased Power	(22,789,671)	21,272,145
Over-Collected Purchased Power Cost Adjustment	8,522,092	
Deferred Credits	1,892,591	(5,378,655)
Net Cash From Operating Activities	\$ 13,951,402	\$ 41,593,415
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to Plant	\$ (4,327,528)	\$ (33,170,308)
Plant Removal Costs Over Salvage and Other Credits	(5,624,018)	(4,939,096)
Accounts Receivable - FEMA Disaster Grants	(10,543,619)	(6,207,373)
Hurricane Ida Accounts Payable Financed by DEMCO		(27,408,283)
Other Property and Investments	224,173	1,061,735
Net (Advances) Payments - Notes Receivable	102,174	24,455
Net Cash From Investing Activities	\$ (20,168,818)	\$ (70,638,870)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Long-Term Debt - RUS	\$ (2,708,691)	\$ (2,217,880)
Payments on Long-Term Debt - FFB	(9,766,624)	(8,500,448)
Payments on Long-Term Debt - CoBank	(1,480,404)	(2,218,724)
Payments on Long-Term Debt - CFC	(2,068,899)	(2,003,447)
Payments on Long-Term Debt - Other	(1,244,472)	(1,890,382)
Payments on Lease Obligations	(8,839)	
Advances of Long-Term Debt - FFB	56,548,000	
Advances of Long-Term Debt - CFC	1,662,044	
Net Advances (Payments) - Line of Credit	(35,731,504)	41,456,996
Memberships and Other Equities	(18,585)	2,695
Net Cash From Financing Activities	\$ 5,182,026	\$ 24,628,810
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	\$ (1,035,390)	\$ (4,416,645)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	7,632,576	12,049,221
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 6,597,186	\$ 7,632,576
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid During the Year for:		
Interest	\$ 16,511,129	\$ 13,834,933
Income Taxes	\$ 4,800	\$ 4,900
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION</b>		
Assets Obtained Through Finance Leases	\$ 446,420	\$ 0
Assets Obtained Through Operating Right of Use Leases	\$ 198,557	\$ 0

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 Credit Losses

With the adoption of ASC 326 the term allowance for uncollectible accounts was changed to allowance for credit losses. The allowance for credit losses represents an estimate of the expected credit losses inherent in trade receivables as of the balance sheet date. Additions to the allowance for credit losses, if any, are made by recording charges to expenses in the income statement. Recoveries consist of consumer payments and any other board approved recoveries that are applied to specific past due accounts. The Cooperative's methodology in determining the adequacy of the allowance for credit losses includes consideration of the aging of accounts receivable, historical trends, and a review off applicable offsetting collection amounts.

**DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Changes in the allowance for credit losses related to electric accounts receivable were as follows:

	December 31,	
	2023	2022
Balance, Beginning of Year	\$ 2,400,685	\$ 1,014,279
Accruals for Credit Losses	(1,846,430)	1,350,000
Write-Offs	(6,876)	
Recoveries and Other Adjustments	43,556	36,406
Balance, End of Year	<u>\$ 590,935</u>	<u>\$ 2,400,685</u>

Changes in the allowance for credit losses related to miscellaneous accounts receivable were as follows:

	December 31,	
	2023	2022
Balance, Beginning of Year	\$ 0	\$ 670,000
Accruals for Credit Losses	535,687	
Write-Offs		(670,000)
Balance, End of Year	<u>\$ 535,687</u>	<u>\$ 0</u>

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.

**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.

**DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Capitalized Interest**

Interest totaling \$16,292,383 and \$16,675,245 was incurred during the years ended December 31, 2023 and 2022, 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 (\$20,173) and \$109,998 was capitalized during the years ended December 31, 2023 and 2022, respectively. During 2022, the Cooperative discontinued using the capitalized interest methodology and the resulting negative amount in 2023 is related to abandoned work orders.

**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.

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 \$14,483,522 and \$17,179,436, 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, 2023 and 2022 the Cooperative had under (over)-collected power cost of (\$809,192) and \$7,712,900, respectively.

**DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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, 2023 and 2022, deposits on hand totaled \$9,282,409 and \$8,948,000, 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, 2023, 68% of the Cooperative's 271 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, 2027.

**Advertising**

Advertising costs, which are included in operating expenses, are expensed as incurred. Advertising expense was \$971,884 and \$1,017,769 for the years ended December 31, 2023 and 2022, respectively.

**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 application of generally accepted accounting principles by the Cooperative differs in certain respects from the application 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.

**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.

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Utility Plant

Utility plant consists of the following:

	December 31,	
	<u>2023</u>	<u>2022</u>
Transmission and Distribution Plant	\$ 732,931,658	\$ 697,755,365
General Plant	55,945,602	52,982,228
Right of Use Lease Assets	198,557	
Other Fixed Assets	<u>1,810,497</u>	<u>1,744,085</u>
	\$ 790,886,314	\$ 752,481,678
Construction Work in Progress	<u>31,276,619</u>	<u>75,506,020</u>
Total Utility Plant	<u>\$ 822,162,933</u>	<u>\$ 827,987,698</u>

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

Average annual composite rates of depreciation are as follows:

	December 31,	
	<u>2023</u>	<u>2022</u>
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, 2023 and 2022 was \$26,451,889 and \$25,274,937, respectively, of which \$24,990,377 and \$23,798,417 was charged to depreciation expense, and \$1,461,512 and \$1,476,520 allocated to other accounts.

**DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**4. Investments in Associated Organizations**

Investments in Associated Organizations consist of the following:

	December 31,	
	<u>2023</u>	<u>2022</u>
Capital Term Certificates		
National Rural Utilities Cooperative Finance Corporation	\$ 3,445,931	\$ 3,461,708
Patronage Capital		
National Rural Utilities Cooperative Finance Corporation	4,218,244	4,186,299
Meridian Cooperative, Inc.	497,474	506,303
CoBank, ACB	1,465,648	1,306,436
Gresco Utility Supply, Inc.	772,894	417,363
National Rural Telecommunications Cooperative, Inc.	40,647	40,647
Federated Insurance	717,557	680,200
National Information Solutions Cooperative, Inc.	44,973	16,853
Other	53,545	45,256
Memberships		
Other	16,900	16,900
	<u>\$ 11,273,813</u>	<u>\$ 10,677,965</u>

**5. Notes Receivable**

Notes Receivable consist of the following:

	December 31,	
	<u>2023</u>	<u>2022</u>
Construction Notes Receivable	\$ 158,310	\$ 242,064
Promissory Notes Receivable - Arrangements	9,820	28,240
Less: Current Portion of Notes Receivable	<u>(110,136)</u>	<u>(142,000)</u>
Notes Receivable - Long-Term Portion	<u>\$ 57,994</u>	<u>\$ 128,304</u>

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

2024	\$ 110,136
2025	56,710
2026	1,284
	<u>\$ 168,130</u>

## DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**6. Other Receivables**

Other Receivables consist of the following:

	December 31,	
	2023	2022
Pole Attachments	\$ 1,353,972	\$ 1,840,152
Mutual Aid Assistance	443,866	510,617
Contributions for Construction	327,150	1,403,847
Developer Penalties	1,071,374	
Bond Claims	361,570	
DEMCO Foundation	61,821	67,704
Miscellaneous	71,881	112,168
	<u>\$ 3,691,634</u>	<u>\$ 3,934,488</u>
Less: Allowance for Credit Losses	<u>535,687</u>	
	<u>\$ 3,155,947</u>	<u>\$ 3,934,488</u>

**7. Materials and Supplies**

Materials and Supplies consist of the following:

	December 31,	
	2023	2022
Construction Materials and Supplies	\$ 8,692,503	\$ 8,140,259
Minor Construction Materials and Supplies	23,013	21,399
Vehicle Parts	197,926	242,949
	<u>\$ 8,913,442</u>	<u>\$ 8,404,607</u>

**8. Deferred Charges**

Deferred Charges consist of the following:

	December 31,	
	2023	2022
Unamortized Conversion Fee	\$ 108,294	\$ 121,062
Post-Retirement Benefits	14,909,655	28,032,371
Pension Prepayment	3,628,790	4,209,396
Regulatory Asset - Storm Costs	4,202,639	437,083
Other	34,774	74,146
	<u>\$ 22,884,152</u>	<u>\$ 32,874,058</u>



**DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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>2023</u>	<u>2022</u>
Original Amount	\$ 5,265,487	\$ 5,265,487
Accumulated Amortization	<u>(5,157,193)</u>	<u>(5,144,425)</u>
Net Book Value	<u>\$ 108,294</u>	<u>\$ 121,062</u>

Amortization expense was \$12,768 and \$23,616 for the years ended December 31, 2023 and 2022, respectively.

Future expected amortization of the conversion fees is as follows:

2024	\$	12,732
2025		12,349
2026		12,349
2027		12,349
2028		12,349
Thereafter		<u>46,165</u>
	\$	<u>108,293</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.

**DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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>2023</u>	<u>2022</u>
Original Amount	\$ 9,870,308	\$ 9,870,308
Accumulated Amortization	<u>(6,241,518)</u>	<u>(5,660,912)</u>
Net Book Value	<u>\$ 3,628,790</u>	<u>\$ 4,209,396</u>

Amortization expense related to the pension prepayment was \$580,606 and \$580,606 for the years ended December 31, 2023 and 2022, respectively. Future expected amortization is as follows:

2024	\$ 580,606
2025	580,606
2026	580,606
2027	580,606
2028	580,606
Thereafter	<u>725,760</u>
	<u>\$ 3,628,790</u>

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 \$437,083. During 2023, the Cooperative deferred another \$3,765,556 of interest incurred for Hurricane Ida. The total uncollected interest costs to be collected through the formula rate plan or a rate rider is \$4,202,639 as of December 31, 2023.

**DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**9. Patronage Capital**

Patronage capital consist of the following:

	December 31,	
	<u>2023</u>	<u>2022</u>
Assigned to Date	\$ 105,708,399	\$ 105,708,399
Operating Margins - Prior Years	<u>6,205,662</u>	<u>6,205,662</u>
	<u>\$ 111,914,061</u>	<u>\$ 111,914,061</u>

**10. Return of Capital**

The equities and margins of the Cooperative represent 16.81% 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, 2023 and 2022, respectively.

**11. Other Equities**

Other Equities consist of the following:

	December 31,	
	<u>2023</u>	<u>2022</u>
Subsidiary Margins	\$ 876,820	\$ 586,145
Other Nonoperating Income	11,556,759	11,384,177
Operating Deficits	<u>(5,028,544)</u>	<u>(4,964,733)</u>
	<u>\$ 7,405,035</u>	<u>\$ 7,005,589</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 consist of the following:

	December 31,	
	<u>2023</u>	<u>2022</u>
As of December 31, 2023, the Cooperative has two lines of credit facilities totaling \$68,424,199 with the National Rural Utilities Cooperative Finance Corporation (NRUCFC). The interest rates on the lines of credits was 7.25% and 6.65%, as of December 31, 2023. The lines of credit mature on January 22, 2024 and September 24, 2024, respectively. As of December 31, 2022, 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 5.75% and 5.15%, respectively as of December 31, 2022.	\$ 33,505,474	\$ 53,539,003
As of December 31, 2023, the Cooperative had an unsecured \$35,000,000 line of credit with CoBank. The interest rate on the line of credit was 7.36% and 5.85% as of December 31, 2023 and 2022, respectively. The line of credit matures September 30, 2024.	19,256,101	34,954,076
The Cooperative has an unsecured \$5,000,000 line of credit with Red River Bank. The interest rate on the line of credit was 7.50% and 6.50% as of December 31, 2023 and 2022, respectively. The line of credit matures annually in February and is automatically renewed.		
	<u>\$ 52,761,575</u>	<u>\$ 88,493,079</u>

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Notes Payable

Notes Payable consist of the following:

	December 31,	
	<u>2023</u>	<u>2022</u>
Rural Utilities Service, 3.63% to 5.18% mortgage notes, with maturity dates ranging from March 2024 through October 2040.	\$ 53,860,903	\$ 56,496,094
National Rural Utilities Cooperative Finance Corporation, mortgage notes at variable and fixed interest rates ranging from 2.30% to 6.51%, with maturity dates ranging from March 2024 through November 2038.	21,678,951	22,085,805
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.	112,547,734	116,267,630
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.	174,176,640	178,864,755
Federal Financing Bank loans with interest ranging from 1.88% to 4.29% maturing January 2050. These notes are guaranteed by the USDA Rural Utilities Service.	96,287,967	41,098,582
CoBank loans with interest rates ranging from 3.25% to 4.10% with maturity dates ranging from February 2024 to September 2037.	16,542,817	18,023,221
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.	8,232	12,000
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. Timely payments were made for the required period, and the balance was forgiven during 2023.		<u>24,658</u>
	\$ 475,103,244	\$ 432,872,745
Less: Current Maturities of Notes Payable	<u>19,068,831</u>	<u>15,723,582</u>
Notes Payable, Less Current Maturities	<u>\$ 456,034,413</u>	<u>\$ 417,149,163</u>

As of December 31, 2023, the Cooperative has \$28,426,105 available for loan advance from FFB. Additionally, the Cooperative has \$2,537,956 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, 2023 are as follows:

	<u>CFC</u>	<u>FFB</u>	<u>RUS</u>	<u>CoBank</u>	<u>SCPD</u>	<u>Total</u>
2024	\$ 2,078,464	\$ 13,831,002	\$ 2,226,946	\$ 928,435	\$ 3,984	\$ 19,068,831
2025	2,084,968	11,504,412	2,303,939	952,433	4,248	16,850,000
2026	2,157,671	11,841,539	2,412,897	992,176		17,404,283
2027	2,233,205	9,129,333	2,527,036	1,033,577		14,923,151
2028	2,311,695	12,394,456	2,646,374	1,076,705		18,429,230
Thereafter	10,812,948	324,311,599	41,743,711	11,559,491		388,427,749
	<u>\$ 21,678,951</u>	<u>\$ 383,012,341</u>	<u>\$ 53,860,903</u>	<u>\$ 16,542,817</u>	<u>\$ 8,232</u>	<u>\$ 475,103,244</u>

**14. Leasing Activities**

During the year ended December 31, 2023 the Cooperative executed a financing lease agreement for two Digger Derrick Trucks. The leases have a 60 month term and have implicit interest rates of 7.25%. The Cooperative used their implicit borrowing rate on debt with similar terms. The finance leases are included with Electric Plant in Service on the balance sheets.

The Cooperative executed a lease for a call center for 48 month term that ends in November 2026. The Cooperative recorded Right of Use Assets and Liabilities (ROU) associated with this agreement. The discount rate used in the calculation of the lease obligation is based on the incremental borrowing rate at the inception of the leases of 5.75%.

The following summarizes the line items in the balances sheet which include amounts for operating and finance leases as follows:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
<b>Operating Leases</b>		
Operating Lease Right of Use Assets	\$ 198,557	\$ <u>          </u>
Current Maturities of Right of Use Lease Obligations	\$ 79,049	\$ <u>          </u>
Operating Right of Use Lease Obligations	119,508	<u>          </u>
Total Operating Lease Liabilities	<u>\$ 198,557</u>	<u>\$ 0</u>
<b>Finance Leases</b>		
Transportation Equipment	\$ 446,420	\$ <u>          </u>
Accumulated Depreciation	7,440	<u>          </u>
Electric Plant in Service, net	<u>\$ 438,980</u>	<u>\$ 0</u>
Current Maturities of Finance Lease Obligations	\$ 76,864	\$ <u>          </u>
Financing Lease Obligations	360,717	<u>          </u>
Total Finance Lease Liabilities	<u>\$ 437,581</u>	<u>\$ 0</u>

**DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The following summarizes the weighted average remaining lease term as of December 31:

	December 31,	
	2023	2022
<b>Weighted Average Remaining Lease Term</b>		
Operating Leases	3 years	
Finance Leases	5 years	

A schedule of future minimum lease payments under these leases is as follows:

Year Ending December 31:	Operating	Finance
2024	\$ 88,464	\$ 106,068
2025	66,000	106,068
2026	60,500	106,068
2027		106,068
2028		97,229
Total Lease Payments	\$ 214,964	\$ 521,501
Less: Interest	16,407	83,920
Present Value of Lease Liabilities	\$ 198,557	\$ 437,581

The following summarizes the line items in the income statements which include the components of lease expense:

	December 31,	
	2023	2022
<b>Operating lease costs:</b>		
Administrative and General	\$ 85,592	\$ 0
<b>Finance lease costs:</b>		
Amortization of lease assets included in depreciation expense	\$ 7,440	\$ 0
Interest on lease liabilities included in interest expense		
Total finance lease costs	\$ 7,440	\$ 0

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. 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, 2023, DESI has the following NOLs available to offset future taxable income, if any.

<u>Year Incurred</u>	<u>Expiration Date</u>	<u>Federal Carry-Forward</u>	<u>State Carry-Forward</u>
2004	2024	\$ 56,068	\$ 56,068
		<u>\$ 56,068</u>	<u>\$ 56,068</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.

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.



**DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

	December 31,	
	<u>2023</u>	<u>2022</u>
Operating Loss Carryforward	\$ 56,068	\$ 116,763
Depreciation	<u>(16,172)</u>	<u>(2,423)</u>
	<u>\$ 39,896</u>	<u>\$ 114,340</u>

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

	December 31,	
	<u>2023</u>	<u>2022</u>
Current Income Tax Expense	\$ (27,286)	\$ (20,844)
Provision for Deferred Income Tax Expense	(74,444)	(226,808)
Provision for Deferred Income Taxes - Change in Valuation Allowance		<u>228,934</u>
Total Income Tax Expense	<u>\$ (101,730)</u>	<u>\$ (18,718)</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 2020. DESI recognizes interest expense and penalties in operating expenses. There were no penalties or interest recognized during the years ended December 31, 2023 and 2022.

**16. 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.

**DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Plan Information**

The Cooperative's contributions to the RS Plan in 2023 and 2022 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 \$4,947,168 in 2023 and \$4,675,335 in 2022. There have been no significant changes that affect the comparability of 2023 and 2022 contributions. Pension expense for the years ended December 31, 2023 and 2022, including amortization, was \$5,527,774 and \$5,255,941, 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, 2023 and at January 1, 2022 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 three percent of an employee's salary. The cost for the Cooperative was \$623,614 and \$581,654 for the years ended December 31, 2023 and 2022, respectively.

**17. 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 \$125,000 per claim. The total claims and administrative fees paid, net of premiums collected, were \$1,846,365 and \$2,566,562 for 2023 and 2022, 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>2023</u>	<u>2022</u>
I) Funded Status at End of Year:		
APBO Balance	\$ (20,312,334)	\$ (33,435,050)
Fair Value of Plan Assets		
APBO in Excess of Plan Assets	<u>\$ (20,312,334)</u>	<u>\$ (33,435,050)</u>
II) Amounts Recognized in the Balance Sheets:		
Current Liability	\$ (1,141,256)	\$ (1,921,354)
Noncurrent Liability	(19,171,078)	(31,513,696)
Unrecognized Actuarial Loss - Deferred Charge	14,909,655	28,032,371
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	\$ 14,909,655	\$ 28,032,371
Net Prior Service Credit		
Deferred Charge - Unrecognized Actuarial Loss	<u>\$ 14,909,655</u>	<u>\$ 28,032,371</u>
IV) Net Periodic Benefit Cost - Recognized in Deferred Charges:		
Service Cost	\$ 464,346	\$ 961,557
Interest Cost	1,014,814	1,485,836
Actuarial Gain (Loss)	(14,601,876)	(12,713,397)
Net Periodic Benefit Cost - Deferred Charge	<u>\$ (13,122,716)</u>	<u>\$ (10,266,004)</u>
V) Amounts Recognized in Deferred Charges:		
Estimated Premiums Paid by the Cooperative	<u>\$ (1,236,511)</u>	<u>\$ (1,873,872)</u>
VI) Amount Recognized in Statements of Income and Patronage Capital:		
Actual Premiums Expensed by the Cooperative	<u>\$ 1,756,288</u>	<u>\$ 2,353,438</u>

**Economic Assumptions**

The discount rate used to develop the accumulated post-retirement benefit obligation (APBO) was 5.35% and 5.50%, for the years ended December 31, 2023 and 2022, respectively. The assumed health care cost trend rates are as follows for 2023:

	<u>Trend Rate</u>	<u>Declining to Over 5 Years</u>
Pre-65 - Medical and Drug	6.30%	5.00%
Post-65 - Medical and Drug	4.53%	4.30%

**DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The Cooperative has not funded plan assets as of December 31, 2023 and 2022.

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.

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

2024	\$ 1,141,256
2025	1,152,983
2026	1,075,660
2027	1,108,760
2028	1,097,695
2029 - 2033	5,664,433

**18. Deferred Credits**

Deferred Credits consist of the following:

	December 31,	
	2023	2022
Accrued Employee Compensated Absences	\$ 6,278,220	\$ 5,731,187
Economic Development Funds	13,650	22,150
LOA Payout	48,769	48,769
Unclaimed Property	226,466	225,730
Storm Costs - Regulatory Liability	3,928,520	2,562,791
Other	102,246	114,653
	<u>\$ 10,597,871</u>	<u>\$ 8,705,280</u>

The Cooperative has recorded contingent liabilities for anticipated disallowance of Federal Emergency Management Agency (FEMA) claims totaling \$3,928,520 and \$2,562,791 as of December 31, 2023 and 2022, respectively.

**DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**19. Self-Funded Health Insurance**

The Cooperative is exposed to unpaid claims relating to its ongoing self-insurance program. Some of 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 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 \$508,000 and \$517,000 at December 31, 2023 and 2022, 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 \$125,000 a year. For the year ended December 31, 2023, the Cooperative contributed \$3,660,551, paid administrative fees of \$877,419, collected reinsurance of \$615,682, and Employees and Retirees contributed \$1,032,413.

**20. 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 \$300,204 and \$371,373 of contributions to the Foundation for the years ended December 31, 2023 and 2022, respectively. Included in other accounts receivable are services due from the Foundation of \$61,821 and \$67,704 as of December 31, 2023 and 2022, respectively.

**21. 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, the Cooperative finalized the full requirements power supply agreement with NextEra. The anticipated date the Cooperative will begin buying power from NextEra is April 1, 2024.

**DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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 carry a reserve for general liability claims that were incurred prior to carrying liability insurance for general claims.

The Cooperative is committed to a building construction contract from a vendor as of December 31, 2023 in the amount of \$1,705,983.

**22. 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 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. During 2023, GOHSEP applied payments from Hurricane Ida to Hurricane Katrina in order to remove the Cooperative from a hold position in an amount of \$45,178. As of December 31, 2023 and 2022, the Cooperative has a contingent liability on the balance sheets totaling \$1,449,051 and \$1,494,230, respectively.

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 2023, the Cooperative appealed claims denied by GOHSEP with the amount of the successful appeals totaling \$718,179. To remove the Cooperative from a hold position, GOHSEP also applied payments from Hurricane Ida toward Hurricane Gustav totaling \$583,890. Based on the Cooperative's estimate of total claims to be disallowed, the Cooperative accrued an additional amount of storm liability totaling \$2,565,529 bringing the total amount of the Gustav storm liability to \$2,246,501.

**DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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. As of December 31, 2023, the Cooperative had a receivable from FEMA totaling \$616,991 and \$0, respectively. Based on accounting guidance, and historical experience the Cooperative recorded an additional contingent liability related to this disaster in the amount of \$147,448 and \$0 as of December 31, 2023 and 2022, respectively.

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. As of December 31, 2023, the Cooperative had a receivable from FEMA totaling \$402,094 and \$1,710,390, respectively. Based on accounting guidance, and historical experience the Cooperative recorded an additional contingent liability related to this disaster in the amount of \$85,520 and \$85,520 as of December 31, 2023 and 2022, respectively.

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. The Cooperative recorded all known and measurable costs associated with the restoration effort to construction work in progress and retirement work in progress. Upon completion of the restoration and the project worksheet for each parish the Cooperative recorded a receivable from GOHSEP. As of December 31, 2023 and 2022, the Cooperative has recorded a receivable in the amount of \$18,857,390 and \$7,623,277, respectively.

As of December 31, 2023 and 2022, the Cooperative has a liability recorded on its balances sheets related to Hurricanes Katrina, Gustav, and Delta and Winter Storm Uri of \$3,928,520 and \$2,562,791, respectively.

**23. Subsequent Events**

The Cooperative has evaluated all subsequent events through April 15, 2024, 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, 2023**

	ASSETS				
	DEMCO	DEMCO Energy Services, Inc.	Dixie Business Development Center, Inc.	Eliminating Entries	Consolidated Total
<b>UTILITY PLANT</b>					
Electric Plant in Service	\$ 788,877,260	\$	\$	\$	\$ 788,877,260
Other Fixed Assets		120,980	1,689,517		1,810,497
Right of Use Lease Assets	198,557				198,557
Construction Work in Progress	31,276,619				31,276,619
	<u>\$ 820,352,436</u>	<u>\$ 120,980</u>	<u>\$ 1,689,517</u>	<u>\$ 0</u>	<u>\$ 822,162,933</u>
Less: Accumulated Depreciation	213,102,176	52,883	802,130		213,957,189
Total Utility Plant, net	<u>\$ 607,250,260</u>	<u>\$ 68,097</u>	<u>\$ 887,387</u>	<u>\$ 0</u>	<u>\$ 608,205,744</u>
<b>INVESTMENTS AND OTHER ASSETS</b>					
Investments in Associated Organizations	\$ 11,272,813	\$ 1,000	\$	\$	\$ 11,273,813
Investments, at cost plus equity in undistributed earnings	1,517,730			(1,517,730)	
Notes Receivable, Long-Term Portion	57,994				57,994
Notes Receivable, Long-Term Portion - Intercompany	129,431			(129,431)	
Total Investments and Other Assets	<u>\$ 12,977,968</u>	<u>\$ 1,000</u>	<u>\$ 0</u>	<u>\$ (1,647,161)</u>	<u>\$ 11,331,807</u>
<b>CURRENT ASSETS</b>					
Cash and Cash Equivalents	\$ 6,488,985	\$ 44,646	\$ 63,555	\$	\$ 6,597,186
Current Portion of Notes Receivable	110,136				110,136
Current Portion of Notes Receivable - Intercompany	25,886			(25,886)	
Accounts Receivable					
Consumers, net of allowance of \$590,935	14,102,384				14,102,384
FEMA, net of allowance of \$0	19,877,285				19,877,285
Intercompany Receivables	18,398	599,451		(617,849)	
Other Receivables, net of allowance of \$535,687	3,155,947				3,155,947
Unbilled Revenue	14,483,522				14,483,522
Materials and Supplies	8,890,429	23,013			8,913,442
Other Current and Accrued Assets	2,218,670	2,723	4,885		2,226,278
Total Current Assets	<u>\$ 69,371,642</u>	<u>\$ 669,833</u>	<u>\$ 68,440</u>	<u>\$ (643,735)</u>	<u>\$ 69,466,180</u>
<b>DEFERRED CHARGES</b>					
Deferred Charges	\$ 22,884,152	\$	\$	\$	\$ 22,884,152
Deferred Income Tax Asset		39,896			39,896
	<u>\$ 22,884,152</u>	<u>\$ 39,896</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 22,924,048</u>
<b>TOTAL ASSETS</b>	<u>\$ 712,484,022</u>	<u>\$ 778,826</u>	<u>\$ 955,827</u>	<u>\$ (2,290,896)</u>	<u>\$ 711,927,779</u>
<b>EQUITIES AND LIABILITIES</b>					
<b>EQUITIES</b>					
Memberships	\$ 356,040	\$	\$	\$	\$ 356,040
Net Investment in Fixed Assets			879,155	(879,155)	
Undesignated			(122,608)	122,608	
Patronage Capital	111,914,061				111,914,061
Other Equities	7,405,035				7,405,035
Member's Equity		761,183		(761,183)	
Total Equities	<u>\$ 119,675,136</u>	<u>\$ 761,183</u>	<u>\$ 756,547</u>	<u>\$ (1,517,730)</u>	<u>\$ 119,675,136</u>
<b>LONG-TERM DEBT</b>					
Notes Payable, Less Current Maturities	\$ 456,030,165	\$	\$ 4,248	\$	\$ 456,034,413
Notes Payable, Less Current Maturities - Intercompany			129,431	(129,431)	
Financing Lease Obligations, Less Current Maturities	360,717				360,717
Operating Right of Use Lease Obligations, Less Current Maturities	119,508				119,508
Deferred Interest - RUS Notes	5,691				5,691
Total Long-Term Debt	<u>\$ 456,516,081</u>	<u>\$ 0</u>	<u>\$ 133,679</u>	<u>\$ (129,431)</u>	<u>\$ 456,520,329</u>
<b>NON-CURRENT LIABILITIES</b>					
Post-Retirement Benefit Obligation	\$ 19,171,078	\$ 0	\$ 0	\$ 0	\$ 19,171,078
<b>CURRENT LIABILITIES</b>					
Current Maturities of Notes Payable	\$ 19,064,847	\$	\$ 3,984	\$	\$ 19,068,831
Current Maturities of Notes Payable - Intercompany			25,886	(25,886)	
Current Maturities of Finance Lease Obligations	76,864				76,864
Current Maturities of Right of Use Lease Obligations	79,049				79,049
Current Portion of Post-Retirement Benefit Obligation	1,141,256				1,141,256
Lines of Credit	52,761,575				52,761,575
Accounts Payable - Purchased Power	10,753,146				10,753,146
Accounts Payable - Other	6,022,364	9,658	523		6,032,545
Intercompany Payables	599,451		18,398	(617,849)	
Over-Collected Purchase Power Cost Adjustment	809,192				809,192
Consumer Deposits	9,282,409				9,282,409
Accrued Taxes	637,650	2,336			639,986
Accrued Interest	3,577,997				3,577,997
Other Current and Accrued Liabilities	1,718,056	5,649	16,810		1,740,515
Total Current Liabilities	<u>\$ 106,523,856</u>	<u>\$ 17,643</u>	<u>\$ 65,601</u>	<u>\$ (643,735)</u>	<u>\$ 105,963,365</u>
<b>DEFERRED CREDITS</b>	<u>\$ 10,597,871</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 10,597,871</u>
<b>TOTAL EQUITIES AND LIABILITIES</b>	<u>\$ 712,484,022</u>	<u>\$ 778,826</u>	<u>\$ 955,827</u>	<u>\$ (2,290,896)</u>	<u>\$ 711,927,779</u>

## DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

Schedule 2

**CONSOLIDATING INFORMATION**  
**STATEMENT OF OPERATIONS AND PATRONAGE CAPITAL**  
**DECEMBER 31, 2023**

	<u>DEMCO</u>	<u>DEMCO Energy Services, Inc.</u>	<u>Dixie Business Development Center, Inc.</u>	<u>Eliminating Entries</u>	<u>Consolidated Total</u>
<b>OPERATING REVENUE</b>					
Residential	\$ 194,406,188	\$	\$	\$	\$ 194,406,188
Small Commercial	23,395,966				23,395,966
Large Commercial	28,033,013				28,033,013
Public Street and Highway Lighting	248,078				248,078
Other Sales to Public Authorities	1,390,700				1,390,700
Rent from Electric and Other Property	1,492,960		240,650		1,733,610
Other Revenue	4,695,710	453,991	39,172		5,188,873
Total Operating Revenues	<u>\$ 253,662,615</u>	<u>\$ 453,991</u>	<u>\$ 279,822</u>	<u>\$ 0</u>	<u>\$ 254,396,428</u>
<b>OPERATING EXPENSES</b>					
Purchased Power	\$ 147,941,102	\$	\$	\$	\$ 147,941,102
Cost of Sales		2,395			2,395
Transmission - Operation	685,473				685,473
Transmission - Maintenance	283,494				283,494
Distribution - Operation	7,980,652				7,980,652
Distribution - Maintenance	26,062,402				26,062,402
Consumer Accounts	6,219,734				6,219,734
Customer Service and Information	245,552				245,552
Selling Expenses	971,884				971,884
Administrative and General Expenses	15,995,653	124,116	181,609		16,301,378
Depreciation	24,915,109	17,347	57,921		24,990,377
Taxes and Penalties	7,000,379	8,629			7,009,008
Other Expenses	385,938				385,938
Total Operating Expenses	<u>\$ 238,687,372</u>	<u>\$ 152,487</u>	<u>\$ 239,530</u>	<u>\$ 0</u>	<u>\$ 239,079,389</u>
Operating Margins before Fixed Charges	<u>\$ 14,975,243</u>	<u>\$ 301,504</u>	<u>\$ 40,292</u>	<u>\$ 0</u>	<u>\$ 15,317,039</u>
<b>FIXED CHARGES</b>					
Interest on Long-Term Debt	\$ 14,678,329	\$	\$	\$	\$ 14,678,329
Amortization of Reacquired Debt	12,768				12,768
Other Interest	1,633,844		383		1,634,227
Total Fixed Charges	<u>\$ 16,324,941</u>	<u>\$ 0</u>	<u>\$ 383</u>	<u>\$ 0</u>	<u>\$ 16,325,324</u>
Operating Margins (Deficits) after Fixed Charges	<u>\$ (1,349,698)</u>	<u>\$ 301,504</u>	<u>\$ 39,909</u>	<u>\$ 0</u>	<u>\$ (1,008,285)</u>
<b>OTHER CAPITAL CREDITS</b>					
	<u>\$ 1,303,386</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,303,386</u>
<b>NONOPERATING MARGINS</b>					
Interest Income	\$ 213,061	\$	\$	\$	\$ 213,061
Other Income (Loss)	(40,478)				(40,478)
Grant Income			33,494		33,494
Affiliated Company Income	290,675			(290,675)	
Total Nonoperating Margins	<u>\$ 463,258</u>	<u>\$ 0</u>	<u>\$ 33,494</u>	<u>\$ (290,675)</u>	<u>\$ 206,077</u>
<b>NET MARGINS BEFORE PROVISION FOR INCOME TAXES</b>					
	<u>\$ 416,946</u>	<u>\$ 301,504</u>	<u>\$ 73,403</u>	<u>\$ (290,675)</u>	<u>\$ 501,178</u>
<b>PROVISION FOR INCOME TAX EXPENSE</b>					
	<u>(17,498)</u>	<u>(84,232)</u>			<u>(101,730)</u>
<b>NET MARGINS</b>					
	<u>\$ 399,448</u>	<u>\$ 217,272</u>	<u>\$ 73,403</u>	<u>\$ (290,675)</u>	<u>\$ 399,448</u>
<b>PATRONAGE CAPITAL - BEGINNING OF PERIOD</b>					
	111,914,061	793,911	683,144	(1,477,055)	111,914,061
Transfer Current Year Operating Deficit to Other Equities	63,810				63,810
Transfer Non-Operating Margins to Other Equities	(172,583)				(172,583)
Transfer Subsidiary Margins to Other Equities	(290,675)				(290,675)
Dividends Declared		(250,000)		250,000	
<b>PATRONAGE CAPITAL - END OF PERIOD</b>					
	<u>\$ 111,914,061</u>	<u>\$ 761,183</u>	<u>\$ 756,547</u>	<u>\$ (1,517,730)</u>	<u>\$ 111,914,061</u>

## DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

Schedule 3

**CONSOLIDATING INFORMATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	DEMCO	DEMCO Energy Services, Inc.	Dixie Business Development Center, Inc.	Eliminating Entries	Consolidated Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Net Margins	\$ 399,448	\$ 217,272	\$ 73,403	\$ (290,675)	\$ 399,448
Adjustments to Reconcile Net Margins to Net Cash From Operating Activities					
Depreciation	26,376,621	17,347	57,921		26,451,889
Capital Credits	(820,021)				(820,021)
Forgiveness of Debt			(20,465)		(20,465)
Affiliated Company Income	(290,675)			290,675	
(Increase) Decrease					
Accounts Receivable	(236,196)				(236,196)
Accounts Receivable - Other	778,541				778,541
Accounts Receivable - Intercompany	174,677	(422,450)		(247,773)	
Unbilled Revenue	2,695,914				2,695,914
Inventories and Other Current and Accrued Assets	(968,048)	(1,611)	(1,122)		(970,781)
Deferred Charges	(1,896,299)				(1,896,299)
Deferred Income Taxes		74,444			74,444
Increase (Decrease)					
Accounts Payable and Other Current Liabilities	(69,069)	(36,286)	(24,729)		(130,084)
Accounts Payable - Purchased Power	(22,789,671)				(22,789,671)
Accounts Payable - Intercompany	422,450		(174,677)	247,773	
Over-Collected Purchased Power Cost Adjustment	8,522,092				8,522,092
Deferred Credits	1,892,591				1,892,591
Net Cash From Operating Activities	<u>\$ 14,192,355</u>	<u>\$ (151,284)</u>	<u>\$ (89,669)</u>	<u>\$ 0</u>	<u>\$ 13,951,402</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Additions to Plant	\$ (4,261,116)	\$ (36,181)	\$ (30,231)	\$ 0	\$ (4,327,528)
Plant Removal Costs Over Salvage and Other Credits	(5,624,018)				(5,624,018)
Accounts Receivable - FEMA Disaster Grants	(10,543,619)				(10,543,619)
Other Property and Investments	224,173				224,173
Net (Advances) Payments - Notes Receivable - Intercompany	(155,317)			155,317	
Net (Advances) Payments - Notes Receivable	102,174				102,174
Dividends from Affiliated Company	250,000			(250,000)	
Net Cash From Investing Activities	<u>\$ (20,007,723)</u>	<u>\$ (36,181)</u>	<u>\$ (30,231)</u>	<u>\$ (94,683)</u>	<u>\$ (20,168,818)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Payments on Long-Term Debt - RUS	\$ (2,708,691)				\$ (2,708,691)
Payments on Long-Term Debt - FFB	(9,766,624)				(9,766,624)
Payments on Long-Term Debt - CoBank	(1,480,404)				(1,480,404)
Payments on Long-Term Debt - CFC	(2,068,899)				(2,068,899)
Payments on Long-Term Debt - Other	(1,236,511)		(33,847)	25,886	(1,244,472)
Payments on Lease Obligations	(8,839)				(8,839)
Advance of Notes Payable - Intercompany			181,203	(181,203)	
Advances of Long-Term Debt - FFB	56,548,000				56,548,000
Advances of Long-Term Debt - CFC	1,662,044				1,662,044
Net Advances - Line of Credit	(35,731,504)				(35,731,504)
Dividends to Affiliated Company		(250,000)		250,000	
Memberships and Other Equities	(18,585)				(18,585)
Net Cash From Financing Activities	<u>\$ 5,189,987</u>	<u>\$ (250,000)</u>	<u>\$ 147,356</u>	<u>\$ 94,683</u>	<u>\$ 5,182,026</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>\$ (625,381)</u>	<u>\$ (437,465)</u>	<u>\$ 27,456</u>	<u>\$ 0</u>	<u>\$ (1,035,390)</u>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>7,114,366</u>	<u>482,111</u>	<u>36,099</u>		<u>7,632,576</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 6,488,985</u>	<u>\$ 44,646</u>	<u>\$ 63,555</u>	<u>\$ 0</u>	<u>\$ 6,597,186</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>					
Cash Paid During the Year for:					
Interest on Long-Term Debt	\$ 16,511,129	\$ 0	\$ 383	\$ 0	\$ 16,511,512
Federal and State Income Taxes	\$ 0	\$ 4,800	\$ 0	\$ 0	\$ 4,800
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION</b>					
Assets Obtained Through Finance Leases	\$ 446,420	\$ 0	\$ 0	\$ 0	\$ 446,420
Assets Obtained Trought Operating Right of Use Leases	\$ 198,557	\$ 0	\$ 0	\$ 0	\$ 198,557

**COMPLIANCE AND INTERNAL CONTROL SECTION**

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

CERTIFIED PUBLIC ACCOUNTANTS

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LUBBOCK, TEXAS 79423-1954

**INDEPENDENT AUDITOR'S 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**

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, 2023, 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 15, 2024.

**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 15, 2024