POINTE COUPEE ELECTRIC MEMBERSHIP CORPORATION
FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

MAJOR, MORRISON & DAVID
Certified Public Accountants

POINTE COUPEE ELECTRIC MEMBERSHIP CORPORATION

June 30, 2021 and 2020

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Major, Morrison & David
Certified Public Accountants
QUALITY · INTEGRITY · DEPENDABILITY

John L. Morrison III, CPA, CGMA, PC
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Van P. Major, CPA (1951-2005)

INDEPENDENT AUDITORS' REPORT

To the Officers and Board of Directors
Pointe Coupee Electric Membership Corporation
New Roads, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Pointe Coupee Electric Membership Corporation (a Cooperative), which comprise the balance sheets as of June 30, 2021 and 2020, and the related statements of revenue and patronage capital, comprehensive income, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pointe Coupee Electric Membership Corporation as of June 30, 2021 and 2020, 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.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated September 16, 2021, on our consideration of Pointe Coupee Electric Membership Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Pointe Coupee Electric Membership Corporation's internal control over financial reporting and compliance.

Other Reporting Required by Regulatory Requirements

In accordance with 7 CFR Part 1773, *Policy on Audits of Rural Utilities Service Borrowers,* we have also issued our report dated September 16, 2021, on our consideration of Pointe Coupee Electric Membership Corporation's compliance with the terms, covenants, provisions, or conditions of their loan, grant, and security instruments as they relate to accounting matters. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, insofar as it relates to accounting matters for electric borrowers. However, our audit was not directed primarily toward obtaining knowledge of noncompliance. That report is an integral part of an audit performed in accordance with 7 CFR Part 1773 in considering Pointe Coupee Electric Membership Corporation's compliance as they relate to accounting matters.

Major, Morrison & David

Major, Morrison & David
New Roads, Louisiana
September 16, 2021

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Pointe Coupee Electric Membership Corporation
BALANCE SHEETS
As of June 30, 2021 and 2020

	2021	2020
ASSETS		
ELECTRIC PLANT: (Note 2)		
In Service - at cost	$ 53,525,808	$ 52,122,675
Construction work in progress	1,687,324	342,823
	55,213,132	52,465,498
Less: accumulated depreciation	(16,345,956)	(15,915,027)
	38,867,176	36,550,471
OTHER ASSETS AND INVESTMENTS		
Postretirement benefit asset (Note 14)	1,508,211	429,423
Investments in associated organizations, at cost (Note 4)	1,414,283	1,397,522
	2,922,494	1,826,945
CURRENT ASSETS		
Cash and cash equivalents	62,341	713,912
Short-term investments (Note 4)	200,000	200,000
Accounts receivable (less provision for uncollectible accounts of $31,085 in 2021 and $30,951 in 2020)	1,575,227	1,169,447
Accounts receivable - unbilled	3,301,967	3,136,043
Materials and supplies (at average cost)	600,303	436,285
Prepayments	74,080	160,508
Other current and accrued assets	7,646	7,812
	5,821,564	5,824,007
DEFERRED DEBITS (Note 8)	1,196,334	1,306,076
	$ 48,807,568	$ 45,507,499

The accompanying notes are an integral part of this statement.

Pointe Coupee Electric Membership Corporation
BALANCE SHEETS
As of June 30, 2021 and 2020

	2021	2020
EQUITIES AND LIABILITIES		
EQUITIES:		
Memberships	$ 39,665	$ 39,175
Accumulated other comprehensive income (Note 14)	1,508,211	429,423
Patronage capital (Note 9)	20,217,153	19,428,315
	21,765,029	19,896,913
LONG-TERM LIABILITIES:		
Long-term debt, less current maturities (Note 5)	23,156,886	20,822,507
Obligations under capital leases - less current portion (Note 7)	270,131	298,077
	23,427,017	21,120,584
CURRENT LIABILITIES:		
Line of credit - note payable (Note 6)	-	500,000
Current maturities of long-term debt (Note 5)	1,126,123	1,689,913
Current portion of obligations under capital leases (Note 7)	148,838	123,457
Accounts payable - purchased power	1,268,398	1,086,036
Accounts payable - other	96,553	112,700
Customer deposits	565,605	540,700
Other current and accrued liabilities	410,005	437,196
	3,615,522	4,490,002
DEFERRED CREDITS	-	-
	$ 48,807,568	$ 45,507,499

The accompanying notes are an integral part of this statement.

Pointe Coupee Electric Membership Corporation
STATEMENTS OF REVENUE AND PATRONAGE CAPITAL
For the Years Ended June 30, 2021 and 2020

	2021	2020
OPERATING REVENUES	$ 23,013,840	$ 23,271,508
OPERATING EXPENSES:		
Cost of power	13,649,702	13,616,347
Distribution operation	466,492	505,122
Distribution maintenance	2,710,502	2,794,612
Consumer accounts	839,662	919,031
Sales	14,586	16,178
Administrative and general	1,726,639	2,047,590
Depreciation and amortization	1,587,239	1,504,135
Taxes	504,608	495,155
	21,499,430	21,898,170
OPERATING MARGINS BEFORE FIXED CHARGES	1,514,410	1,373,338
FIXED CHARGES:		
Interest on long-term debt (Note 3)	799,737	815,971
OPERATING MARGINS AFTER FIXED CHARGES	714,673	557,367
CAPITAL CREDITS	58,580	55,662
NET OPERATING MARGINS	773,253	613,029
NONOPERATING MARGINS:		
Interest income	31,485	35,271
Other income	1,578	1,513
Other expense	(17,478)	(17,339)
	15,585	19,445
NET MARGINS	788,838	632,474
PATRONAGE CAPITAL - beginning of year	19,428,315	18,795,841
PATRONAGE CAPITAL - end of year	$ 20,217,153	$ 19,428,315

The accompanying notes are an integral part of this statement.

Pointe Coupee Electric Membership Corporation
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended June 30, 2021 and 2020

	2021	2020
NET MARGINS	$ 788,838	$ 632,474
OTHER COMPREHENSIVE INCOME		
Recognized actuarial gains/losses, net periodic benefit cost & revaluation for postretirement benefit obligation (Note 14)	1,078,788	(937,250)
COMPREHENSIVE INCOME	$ 1,867,626	$ (304,776)

The accompanying notes are an integral part of this statement.

Pointe Coupee Electric Membership Corporation
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net margins	$ 788,838	$ 632,474
Adjustments to reconcile net margins to net cash provided (used) by operating activities:		
Depreciation and amortization	1,612,455	1,590,771
Amortization of capital leased assets	125,508	84,093
Bad debts	26,156	34,565
(Gain) loss on extinguishment of debt	(713,700)	-
(Increase) decrease in:		
Accounts receivable	(405,781)	297,437
Unbilled receivable	(192,080)	(57,396)
Prepaid expenses	86,428	67,018
Materials and supplies	(164,018)	7,962
Deferred debits	109,742	119,028
Other current and accrued assets	166	589
Decrease (increase) in:		
Accounts payable	166,216	(146,357)
Other current and accrued liabilities	(27,190)	(48,140)
Total adjustments	623,902	1,949,570
Net Cash Provided (Used) by Operating Activities	1,412,740	2,582,044
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments in associated organizations	(16,762)	(12,944)
Proceeds from sale of investments	200,000	200,000
Construction and acquisition of plant	(3,799,281)	(2,311,797)
Purchase of investments	(200,000)	(200,000)
Net Cash Provided (Used) by Investing Activities	(3,816,043)	(2,324,741)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	4,150,000	5,813,700
Repayment of line of credit	(4,650,000)	(6,933,219)
Proceeds from long-term debt	3,500,000	2,000,000
Repayment of long-term debt	(1,015,712)	(1,038,653)
Repayment of capital lease obligations	(257,951)	(183,538)
Increase (decrease) in:		
Memberships issued	490	(20)
Customer deposits	24,905	30,335
Net Cash Provided (Used) by Financing Activities	1,751,732	(311,395)
NET INCREASE (DECREASE) IN CASH	(651,571)	(54,092)
CASH AT BEGINNING OF YEAR	713,912	768,004
CASH AT END OF YEAR	$ 62,341	$ 713,912
Supplemental Disclosures		
Cash Paid During the Year for:		
Interest	$ 799,654	$ 930,573
Noncash Investing & Financing Activities:		
Increase (decrease) in compensated absences	(21,779)	14,821
Decrease (increase) in postretirement benefits	(1,078,788)	937,250
Assets acquired through capital lease	(129,877)	(370,498)
Capital lease used to acquire assets	129,877	370,498

The accompanying notes are an integral part of this statement.

Note 1-Summary of Significant Accounting Policies

A. Organization

Pointe Coupee Electric Membership Corporation (Cooperative) is an electric transmission and distribution cooperative. Its principal business activity is providing electric power to approximately 10,519 member-consumers over three parishes. The Cooperative is subject to the jurisdiction of the Louisiana Public Service Commission (LPSC) for ratemaking regulations.

B. Accounting and Records

The Cooperative maintains its records in accordance with the Uniform System of Accounts, prescribed for electric borrowers of the United States Department of Agriculture Rural Utilities Service (RUS).

C. Cash and Cash Equivalents

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

D. Short-Term Investments

Short-term investments consist of a certificate of deposit which matures every 12 months and is stated at cost, which approximates fair market value. The investments are held until each maturity date.

E. Accounts Receivable

The Cooperative uses the reserve method to account for uncollectible accounts. Accounts deemed uncollectible are written off yearly against the reserve.

F. Inventory

Inventory consists of materials and electrical supplies and is stated at average-cost.

G. Utility Plant

Utility plant is stated at original cost net of contributions. Such cost includes applicable supervisory and overhead costs. Expenditures for maintenance and repairs, which do not materially extend the life of assets, are included in operating expenses. Upon retirement or disposition, the recorded cost of depreciable plant and the cost of removal, net of salvage, are charged to accumulated depreciation.

Depreciation is computed using straight-line composite rates based upon the estimated useful lives of the various classes of assets.

H. Investments in Associated Organizations

Investments in capital term certificates, capital credit notes, and capital stock of associated organizations are stated at cost. Investments in patronage capital certificates of associated organizations are accounted for using the cost method plus allocated capital credits, which are assigned, to the Cooperative based on its patronage of the associated organizations.

I. Income Taxes

The Cooperative is exempt from income taxes under Section 501 (c)(12) of the IRS Code, since it receives more the 85% of its income from members. The statute of limitations for the examination of the Cooperative's income tax returns is generally three years from the due date of the tax returns including extensions. The tax Form 990s are prepared on a calendar year basis. The tax years open for assessment are the years ending after December 31, 2017.

J. Revenue

Revenue is recognized based on monthly billings to consumers. The Cooperative accrues revenue related to energy consumed but not yet billed. The Cooperative's rates include a power cost adjustment clause (PCA), which enables the Cooperative to pass through to consumers all fuel charges and non-fuel charges in the cost of power. The Cooperative's rates, including the PCA must be approved by the LPSC, which also retains jurisdiction to review the cooperative's PCA periodically to ensure that costs comply with their power purchase contracts. In order to match power costs and related revenues, under-collected power costs to be billed to consumers and over-collected power costs to be returned to consumers in subsequent periods are recognized within the unbilled revenue receivable on the balance sheets and as an increase or decrease within the operating revenues on the statements of revenue and patronage capital. As of June 30, 2021 and 2020, the cooperative had under-collected power costs of $628,636 and $321,518, respectively.

K. Advertising Costs

Advertising costs are charged to operations when incurred. Total advertising expense for the years ended June 30, 2021 and 2020, was $7,360 and $9,470, respectively.

L. Use of Estimates

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

M. Reclassifications

Certain amounts as previously reported have been reclassified to conform to the June 30, 2021 presentation. The reclassifications had no effect on net margins or patronage capital.

Note 2-Utility Plant

The following are the major classes of utility plant as of June 30, 2021 and 2020:

	2021	2020
Transmission plant	$ 6,393,452	$ 6,390,698
Distribution plant	42,295,585	41,038,601
General plant	4,172,574	4,159,056
Capital leases	664,197	534,320
Utility plant in service	53,525,808	52,122,675
Construction work in progress	1,687,324	342,823
	$ 55,213,132	$ 52,465,498

Depreciation and amortization expense totaling $150,724 and $178,040 for the years ended June 30, 2021 and 2020, respectively, are included in various expense accounts based on allocation of work order costs in accordance with RUS guidelines. Annual average composite rates of depreciation used by the Cooperative during 2021 and 2020 are as follows:

	Percent Per Year
Distribution plant	1.80 to 6.66
Transmission plant	2.75
General plant	
Structures and improvements	2.00
Transportation equipment	7.00
Communications equipment	5.00
Office furniture and fixtures	4.00
Power-operated equipment	11.00
Other general plant	3.60

Note 3-Capitalization of Interest

The Cooperative's policy is to capitalize interest as a component of the cost of property, plant and equipment constructed for its own use with a contracted life of a year or more. The following is a schedule of interest components for the years ended June 30, 2021 and 2020:

	2021	2020
Interest capitalized	$ -0-	$ -0-
Interest deferred	-0-	-0-
Interest charged to operations	799,737	815,971
Total interest	$ 799,737	$ 815,971

Note 4-Investments in Associated Organizations and Short-term Investments

Investments in associated organizations consist of the following as of June 30, 2021 and 2020:

	2021	2020
National Rural Utilities Cooperative Finance Corporation:		
Capital Term Certificates	$ 540,705	$ 555,105
Patronage Capital	188,228	192,529
Member Capital Securities	100,000	100,000
Membership Fee	1,000	1,000
Patronage Capital Certificates:		
Association of Louisiana Electric Cooperatives, Inc.	3,641	3,641
Federal Rural Electric Insurance Corporation	297,364	272,824
National Information Solutions Co-op	84,159	83,097
GRESCO- member fee	100	100
GRESCO	94,074	91,937
ERMCO – member fee	100	100
Co-Bank- member fee	1,000	1,000
Co-Bank	18,122	17,893
Arkansas Electric	85,790	78,296
	$ 1,414,283	$ 1,397,522

The Cooperative has adopted Financial Accounting Standards Board (FASB) –Accounting Standards Codification (ASC) 320, "Accounting for Certain Investments in Debt and Equity Securities." In accordance with FASB ASC 320, the Cooperative has classified all short-term investments as held-to-maturity. Held-to-maturity investments are stated at amortized cost as the cooperative has the ability and intent to hold these investments to maturity. The cost of investments sold is based on the specific identification method. There were no sales or transfers of investments classified as held-to-maturity during the years ended June 30, 2021 and 2020, respectively.

Short-term investments classified as held-to-maturity and their maturities were as follows at June 30, 2021 and 2020:

At the balance sheet date of June 30, 2021:

	Amortized Cost Basis	Gross Unrealized Gain	Gross Unrealized Loss	Aggregate Fair Value
Certificates of Deposit	$ 200,000	$ -0-	$ -0-	$ 200,000

Maturities of investments

	Amortized Cost	Fair Value
Less than one year	$ 200,000	$ 200,000

At the balance sheet date of June 30, 2020:

	Amortized Cost Basis	Gross Unrealized Gain	Gross Unrealized Loss	Aggregate Fair Value
Certificates of Deposit	$ 200,000	$ -0-	$ -0-	$ 200,000

Maturities of investments

	Amortized Cost	Fair Value
Less than one year	$ 200,000	$ 200,000

Note 5- Long-Term Debt

Long-term debt consists of mortgage notes payable to RUS, NRUCFC, and The Federal Financing Bank (FFB). Notes payable to RUS consist of 3.7% to 5% mortgage notes payable in monthly and quarterly payments maturing in various years through 2041. Notes payable to NRUCFC consist of mortgage notes payable in quarterly payments bearing fixed interest rates of 4.40% to 7.15% maturing in various years through 2027. Notes Payable to FFB consists of mortgage notes payable in quarterly payments bearing fixed rates of 1.035% to 5.410% maturing in various years through 2046. It is estimated that principal payments to RUS, NRUCFC, and FFB in the next twelve months will be approximately $162,460, $161,112 and $802,551, respectively.

On April 16, 2020, the Cooperative was awarded a loan made by the Small Business Administration under the Paycheck Protection Program as authorized by Section 1102 of the Coronavirus Aid, Relief and Economic Security Act. The Board of Directors authorized the acceptance of the approved loan in the amount of $713,700 pursuant to and in compliance with the Paycheck Protection Program. The Cooperative is required to use the proceeds of the loan for its payroll costs and other expenses in accordance with the requirements of the Paycheck Protection Program so that it may seek loan forgiveness as provided in the Paycheck Protection Program. Notification was provided to RUS prior to execution of the loan according to RUS requirements. On December 9, 2020, the SBA forgave the entire loan amount which was accounted as a derecognition of the liability in accordance with FASB ASC 405-20 and recorded a gain on extinguishment of debt as a reduction of expenses and work orders in accordance with RUS guidance.

On February 28, 1991, the Cooperative signed a term sheet agreement with RUS, which allowed the Cooperative to defer its original principal and interest payments for five years. On February 28, 1994, an amendment to the agreement was signed which discontinued the deferment and the Cooperative began paying back its deferred principal and interest.

Agreements with mortgage lenders requires the Cooperative to maintain minimum financial covenant ratios of Tier and DSC of 1.25 and operating Tier and operating DSC of 1.10 (based on a best 2 of last 3-year average). During the calendar years ended December 31, 2020 and 2019, the Cooperative met its financial debt covenants.

The following schedule is a summary of outstanding loans as of June 30, 2021 and 2020, respectively.

	2021	2020
RUS Notes:		
5% notes due November 8, 2023	29,953	42,135
Fixed interest rate (3.70-4.78%) notes due July 3, 2041	4,531,986	4,672,241
FFB Notes:		
Fixed interest rate (1.035 - 5.410%) notes due December 31, 2046	18,872,513	16,082,636
NRUCFC Notes:		
Fixed interest rate (2.10 – 7.025%) notes due August 31, 2021 Through March 1, 2027	848,557	1,001,708
SBA PPP Notes:		
Fixed interest rate (1%) note due November 16, 2020 Through April 16, 2022 (if not forgiven)	0	713,700
Total	24,283,009	22,512,420
Less current maturities of long-term debt	1,126,123	1,689,913
Total long term debt	$ 23,156,886	$ 20,822,507

Substantially all of the Cooperative's utility plant is pledged as collateral under the various mortgage notes. Annual maturities of long-term debt for each of the next five years ending June 30 are as follows:

2022	$ 1,126,123
2023	1,229,993
2024	1,084,647
2025	1,126,289
2026	1,074,721
Thereafter	18,641,236
	24,283,009

On July 27, 2017, the Board of Directors passed a resolution to make application to the RUS pursuant to 7 CFR Part 1710 for a guaranteed FFB loan in the approximate amount of $14,926,000 to be used in accordance with the provisions of CFR Part 1710 to finance construction of its facilities on the basis of its 2016-2022 Construction Work Plan. The financing shall bear a maturity date to cover an approximate period of twenty-nine years. It shall also be used to repay a short-term bridge loan borrowed for construction costs incurred prior to having the RUS available funds (see Note 6). During the years ended June 30, 2021 and 2020, the Cooperative borrowed $3,500,000 and $2,000,000 on the 2016-2022 work plan from RUS, respectively.

On March 28, 2013, the Cooperative's board of directors passed a resolution to prepay retirement contributions of its retirement security pension plan with National Rural Electric Cooperative Association (NRECA) in the amount of $1,504,604 in order to receive a 25% reduction in their payments along with a guarantee that the contribution rate would not increase for the next two years. The prepayment amount was borrowed from NRUCFC, with approval from RUS as "permitted debt" under the RUS loan contracts, and is estimated to result in significant savings over the next twenty years. These loan funds were paid off during the prior fiscal year.

The Cooperative is allowed by RUS to amortize the prepayment over a defined period. See Note 8 for the current balance recognized within deferred debits as of June 30, 2021 and 2020, respectively. The NRUCFC loan funds were expended for purposes contemplated in the loan agreement on such loan. No other long-term loan fund advances from NRUCFC were received during the current or prior year.

Note 6-Lines of Credit

The Cooperative has a line of credit of $2,500,000 with NRUCFC at June 30, 2021 and 2020 respectively, at a rate equal to the bank prime rate, plus one percent per annum (currently 2.45%), maturing April 7, 2025. As of June 30, 2021 and 2020, $0 and $500,000 was owed on the line of credit, respectively. The Cooperative also has a line of credit with Co-Bank in the amount of $2,000,000 for the years ended June 30, 2021 and 2020, respectively at a weekly variable rate set by Co-Bank (currently 2.41%), maturing January 31, 2022. As of June 30, 2021 and 2020, $0 and $0 was owed on this line of credit, respectively.

Note 7-Leases

The Cooperative is obligated under leases for 4 trucks that are accounted for as capital leases. At June 30, 2021 and 2020, the net amount of equipment under capital leases was $440,810 and $443,377, respectively.

Amortization of assets held under capital leases is included within the depreciation and amortization line item on the Statements of Revenue and Patronage Capital. Amortization of leased assets in association with capital leases amounted to $125,508 and $91,404, for the years ended June 30, 2021 and 2020, respectively. Interest costs associated with capital leases amounted to $11,135 and $10,122, for the years ended June 30, 2021 and 2020, respectively.

Future minimum lease payments under noncancelable capital leases as of June 30, 2021 are as follows:

Year Ending June 30	
2022	$ 148,838
2023	151,673
2024	93,487
2025	46,812
2026	0
Net minimum lease payments	$ 440,810
Less amount representing interest	21,841
Present value of minimum lease payments	$ 418,969

Less current portion	148,838
Long term obligations under capital leases	$ 270,131

Note 8-Deferred Debits and Other Assets

Following is a summary of amounts recorded as deferred debits as of June 30, 2021 and 2020.

	2021	2020
Hurricane Gustav Restoration (see Note 15)	433,309	447,783
Preliminary survey & facility charges	10,703	17,463
RS Pension Prepayment (see Note 5)	752,322	840,830
	$ 1,196,334	$ 1,306,076

Note 9-Patronage Capital

At June 30, 2021 and 2020, patronage capital consisted of:

	2021	2020
Assignable	$ 623,429	$ 375,671
Assigned to date	18,255,687	17,717,292
Non-assignable non-operating	1,338,037	1,335,351
	$ 20,217,153	$ 19,428,314

Under the provisions of the Mortgage Agreement, until the equities and margins equal or exceed forty percent of the total assets of the Cooperative, the return to patrons of contributed capital is generally limited to twenty-five percent of the patronage capital or margins received by the Cooperative in the prior calendar year. The equities and margins of the Cooperative represent 41% of the total assets at June 30, 2021. No retirements of capital credits occurred in 2021 or 2020.

Note 10-Pension Plan

The Cooperative participates in the NRECA Retirement Security Plan (RS Plan), which is a multi-employer defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. The plan sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333. Unlike a single-employer plan, a multi-employer plan's assets are available to pay benefits of any plan participant and separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer could be used to provide benefits to employees of other participating employers.

The Cooperative makes annual contributions to the plan equal to the amounts accrued for pension expense. Total pension expense in these statements, which represented less than 5% of the total contributions made to the plan by all participating employers, for the years ended June 30, 2021 and 2020, was $592,110 and $597,450, respectively. There were no significant changes that affect the comparability of the 2021 and 2020 contributions.

In the RS Plan, a "zone status" determination in not required and, therefore, not determined under the Pension Protection Act (PPA) of 2006. Additionally, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 80% funded at January 1, 2021 and 2020 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 can change as a result of plan experience.

The Cooperative also maintains a 401(K) plan for the benefit of all eligible employees. All employees are eligible to participate after meeting certain service and age requirements and may contribute up to 25% of compensation, with no contributions to be made on the Cooperative's part.

Note 11-Commitment

The Cooperative was one of eleven member electric cooperatives of Cajun Electric Power Cooperative, Inc. (Cajun) and has executed a wholesale power agreement with Cajun's successor, Louisiana Generating, LLC (LaGen), who purchased Cajun's non-nuclear assets out of bankruptcy. Under this agreement, the Cooperative is committed to purchase its electric power and energy requirements from LaGen until the year 2025. In January and March 2000, the LPSC issued orders approving the member co-ops purchase power contracts with LaGen and the use of an automatic adjustment clause for the recovery of purchased power costs. However, in order to implement this clause, the cooperatives needed to adjust their overall revenue requirements and rate designs. The Cooperative filed an application with the LPSC to redesign their rates and include the power cost adjustment clause. On June 2, 2000, the LPSC approved the Cooperative's petition. Cleco Corporate Holdings, LLC (Cleco) acquired NRG South Central Generating, LLC, owner of LaGen, in February 2019. The power supply contracts were included in this sale.

Note 12-Contingency

The Cooperative is involved in two lawsuits involving matters covered by its liability insurance carrier, who has supplied counsel for complete defense of the cases. Counsel has been instructed to vigorously defend these cases, and believes that any potential adverse judgment would be covered by the limits of liability insurance covering the cooperative. The ultimate outcome of these matters cannot presently be determined and no provision for any liability that may result from such claims has been made in the financial statements.

Note 13- Credit Risks

At various times during the year cash deposits with one banking institution exceeded the $250,000 coverage limit of protection offered by the Federal Deposit Insurance Corporation. Management monitors the financial condition of the institution on a regular basis in order to minimize the potential risk. At June 30, 2021 and 2020, uninsured cash balances totaled $51,437 and $602,527, respectively. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of members comprising the membership base and their dispersion across the geographic area.

A major portion of the Cooperative's workforce is covered by a collective bargaining agreement with the International Brotherhood of Electrical Workers Local 2286. This contract was negotiated for a three year term beginning January 1, 2020 through December 31, 2022.

Note 14- Postretirement Benefits Other Than Pensions

The Cooperative has implemented FASB ASC 715-60, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans"*, which improves financial reporting by requiring an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. The Cooperative sponsors a defined benefit postretirement plan that covers all current employees and directors and provides certain retired and active employees with postretirement health care benefits. The plan provides medical and dental insurance benefits. The postretirement plan is contributory, with non-eligible medicare retiree contributions equal to 15% of cost.

The annual measurement date is the end of the fiscal year (FYE) for the postretirement benefits (June 30th for FYE 2021 and FYE 2020). The following table provides further information about the postretirement benefit plan:

	2021	2020
Fair Value of plan assets at June 30	$ 6,675,636	$ 5,458,678
Accumulated Postretirement Benefit Obligation at June 30	(5,167,425)	(5,029,255)
Net Funded (Unfunded) Status at June 30	$ 1,508,211	$ 429,423

The following table provides amounts recognized in the statement of financial position as noncurrent assets and accumulated other comprehensive income:

Noncurrent Assets	$ 1,508,211	$ 429,423
Current Liabilities	-	-
Noncurrent Liabilities	-	-
Recognized in Net Financial Position	$ 1,508,211	$ 429,423

The following table provides the components of net postretirement benefit costs as follows:

Net Loss (Gain) on Assets	$ (1,216,958)	$ (47,424)
Service Cost	229,907	240,814
Interest Cost	145,346	135,018
Net Amortization and Deferral	0	4,233
Net Periodic Postretirement Benefit Cost	$ (841,705)	$ 332,641

Assumptions:

Actuarial Cost Method – The valuation was performed using the Projected Unit Credit Method with the attribution period being the period from the participant's date of hire to the expected retirement date. The employer portion of the actuarial present value for retiree post-retirement benefits in future years is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the discount rate, mortality, and turnover.
Actuarial Value of Plan Assets – Actual market value of the assets has been used.
Mortality – The RP-2000 Combined Mortality Table without projection is used. This is a recently published mortality table which has been used in determining the value of accrued benefits in defined benefit pension plans. Projected future mortality improvement has not been used since it is our opinion that this table contains sufficiently conservative margin for the population involved in this valuation.
Expected Time of Commencement of Benefits – It was assumed that employees retire at the earliest eligibility to receive retiree medical benefits which is the attainment of age 62 and completion of 10 years of service.
Turnover – An age-related turnover scale based on actual experience as described for the administrative staff of the Cooperative has been used. The rates, when applied to the active employee census, produce an annual turnover of approximately 5%.
Future Cost increase (Trend) Rate – The expected rate of increase in medical cost is based on a flat annual rate of 5.5%.
Investment Return Assumption and Discount Rate – As required, a "discount rate" is used to value the actuarial liabilities rather than the long-term return on assets which is typically used in such actuarial valuations. For this purpose, we have used the values in the "FTSE Pension Liability Index" (formerly the "Citigroup Pension Liability Index") as of each measurement date. The applicable discount rates used as of June 30, 2021 and 2020 were 2.84% and 2.71%, respectively.

Plan assets in the amount of $95,396 are expected to be returned to the employer within the next 12 month operating cycle for retiree costs. The cooperative expects to contribute $0 into the trust in 2022.

Estimated benefits expected to be paid over the next five years ending June 30 are as follows:

2022	95,396
2023	100,643
2024	106,178
2025	112,018
2026	118,179
2027-2031	695,844

Note 15 – Hurricanes Gustav, Barry, Laura & Delta

On September 1, 2008, Hurricane Gustav hit Louisiana as a Category 2 (one mile per hour short of a Category 3) hurricane and caused significant damage to the area and the Cooperative's electrical systems. The Cooperative's tri-parish region of Pointe Coupee, Iberville, and West Baton Rouge was hit particularly hard causing 100% power outages and considerable damages to the infrastructure. Eligible reimbursements from FEMA totaled $3,427,302 at a 90% coverage rate. Actual reimbursements received during the years ending June 30, 2021 and 2020 totaled $14,474 and $23,759, respectively. Upon final reimbursement, approval will be sought from RUS to account for the costs as a regulatory asset or capitalized and depreciated according to RUS guidelines.

On July 13, 2019, Hurricane Barry hit Louisiana as a Category 1 hurricane and caused damage and power outages to the Cooperative's electrical system. Eligible reimbursements from FEMA totaled $268,589 at a 75% coverage rate. Actual reimbursements received during the year ending June 30, 2021 and 2020 totaled $0 and $82,098, respectively.

On August 27, 2020, Hurricane Laura hit Louisiana as a Category 4 hurricane and caused damage and power outages to the Cooperative's electrical system. Eligible reimbursements from FEMA totaled $274,038 at a 90% coverage rate. Actual reimbursements received during the year ending June 30, 2021 totaled $25,252.

On October 9, 2020, Hurricane Delta hit Louisiana as a Category 4 hurricane and caused damage and power outages to the Cooperative's electrical system. Eligible reimbursements from FEMA totaled $851,292 at a 75% coverage rate. Actual reimbursements received during the year ending June 30, 2021 totaled $108,172.

Note 16 – Subsequent Events

In the spring of 2020, there was a global outbreak of a new strain of coronavirus, COVID-19. The public health crisis has caused volatile economic conditions, impacting financial markets and disrupting general business activities across the United States. The timing and extent of the impact of COVID-19 on the Cooperative's current operations and future operations is uncertain at the date of this report, however management will monitor the situation and make necessary adjustments as they arise.

Management has performed an evaluation of the Cooperative's activities through September 16, 2021, and has concluded that there are no other significant subsequent events requiring recognition or disclosure through the date and time these financial statements were available to be issued on September 16, 2021.

Supplemental Information

Pointe Coupee Electric Membership Corporation
SCHEDULE OF COMPENSATION, BENEFITS, AND
OTHER PAYMENTS TO AGENCY HEAD
For the Year Ended June 30, 2021

AGENCY HEAD NAME : MYRON A. LAMBERT, GENERAL MANAGER

PURPOSE	AMOUNT
Salary	$ -
Benefits - insurance	-
Benefits - retirement	-
Car allowance	-
Vehicle provided by government	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-
	$ -

No compensation, benefits or other payments were paid to the general manager from public funds received by the Cooperative.

Major, Morrison & David
Certified Public Accountants
QUALITY • INTEGRITY • DEPENDABILITY

John L. Morrison III, CPA, CGMA, PC
Mark A. David, CPA, PC
John S. Disotell III, CPA, PC

Van P. Major, CPA (1951-2005)

Independent Auditors' Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Officers and Board of Directors
Pointe Coupee Electric Membership Corporation
New Roads, 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 Pointe Coupee Electric Membership Corporation (a Cooperative), which comprise the balance sheets as of June 30, 2021 and 2020, and the related statements of revenue and patronage capital, comprehensive income, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated September 16, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pointe Coupee Electric Membership Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pointe Coupee Electric Membership Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Pointe Coupee 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pointe Coupee 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

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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.

Major, Morrison & David

Major, Morrison & David
New Roads, Louisiana
September 16, 2021

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Van P. Major, CPA (1951-2005)

Independent Auditors' Report on Compliance with Aspects of Contractual Agreements and Regulatory Requirements for Electric Borrowers

The Officers and Board of Directors
Pointe Coupee Electric Membership Corporation
New Roads, 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 Pointe Coupee Electric Membership Corporation (a Cooperative), which comprise the balance sheets as of June 30, 2021 and 2020, and the related statements of revenue and patronage capital, comprehensive income, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated September 16, 2021. In accordance with *Government Auditing Standards,* we have also issued our report dated September 16, 2021, on our consideration of Pointe Coupee Electric Membership Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. No reports other than the reports referred to above and our schedule of findings and recommendations related to our audit have been furnished to management.

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

Maintain adequate and effective accounting procedures;

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

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

Clear construction accounts and accrue depreciation on completed construction;

Record and properly price the retirement of plant;

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

Maintain adequate control over materials and supplies;

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Prepare accurate and timely Financial and Operating Reports;

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

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

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

Comply with the requirements for the detailed schedule of deferred debits and deferred credits; and

Comply with the requirements for the detailed schedule of investments.

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

Major, Morrison & David

Major, Morrison & David
New Roads, Louisiana
September 16, 2021

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