

**BEAUREGARDELECTRIC  
COOPERATIVE, INC.  
DeRidder, Louisiana**

**Financial Statement and  
Report of Independent Auditor**

For the Years Ended December 31, 2022 and 2021

# BEAUREGARD ELECTRIC COOPERATIVE, INC.

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# **BEAUREGARD ELECTRIC COOPERATIVE, INC.**

## **BOARD OF DIRECTORS**

Donald Bush	District No. 1
Dale Peterson	District No. 2
J. R. Hickman	District No. 3
Stoney Doyle	District No. 4
Joey Rogers	District No. 5
Trent Buxton	District No. 6
Doug Sonnier	District No. 7
Diana Backhaus	District No. 8
Tommy Cryar	District No. 9

## **EXECUTIVE STAFF**

Kevin Turner	EVP and General Manager
Kevin Aycock	VP-Engineering
Kay Fox	VP-Marketing
Scott Deshotel	VP-Operations
Ashley Mazilly	VP-Finance

# STEVEN M. DEROUEN & ASSOCIATES, LLC

*Certified Public Accountants*

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Certified Public Accountants

Member Louisiana Society of  
Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Beauregard Electric Cooperative, Inc.  
DeRidder, Louisiana

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Beauregard Electric Cooperative, Inc. (a nonprofit organization), which comprise the balance sheet as of December 31, 2022 and 2021, and the related statements of revenues and expenses, equities and margins, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Beauregard Electric Cooperative, Inc. as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the year 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 and the standards applicable to the 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 Beauregard Electric Cooperative, Inc. and to meet our 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 opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Beauregard Electric Cooperative, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the 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 generally accepted auditing standards 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Beaugard Electric Cooperative, Inc.'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Beaugard Electric Cooperative, Inc.'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.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2023, on our consideration of Beaugard Electric Cooperative, Inc.'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 Beaugard Electric Cooperative, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Beaugard Electric Cooperative, Inc.'s internal control over financial reporting and compliance.

Steven M. DeRouen & Associates, LLC

Lake Charles, Louisiana  
March 25, 2023

# **FINANCIAL STATEMENTS**

# BEAUREGARD ELECTRIC COOPERATIVE, INC.

## Balance Sheets

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Utility Plant:		
Electric plant in service, at cost	\$ 274,856,053	\$ 268,714,984
Construction work in progress	31,580,694	22,426,775
Accumulated depreciation	<u>(98,125,519)</u>	<u>(92,749,733)</u>
Net utility plant	<u>208,311,228</u>	<u>198,392,026</u>
Other property and investments:		
Investments in associated organizations	<u>7,838,611</u>	<u>7,721,891</u>
Current assets:		
Cash and cash equivalents	2,596,540	2,002,533
Accounts receivable, less allowance for doubtful accounts of \$102,504 and \$48,173 in 2022 and 2021, respectively	22,074,316	17,618,318
Disaster assistance receivable	81,675,524	81,847,198
Inventories	1,438,153	1,362,438
Other current assets	<u>939,372</u>	<u>1,418,274</u>
Total current assets	<u>108,723,905</u>	<u>104,248,761</u>
Deferred charges	<u>(700,134)</u>	<u>7,347,842</u>
Total assets	<u><u>\$ 324,173,610</u></u>	<u><u>\$ 317,710,520</u></u>

The accompanying notes are an integral part of this financial statements.

# BEAUREGARD ELECTRIC COOPERATIVE, INC.

## Balance Sheets

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Capital:		
Memberships	\$ 161,114	\$ 160,640
Patronage	63,454,889	57,578,571
Donated	164,870	164,870
	<u>63,780,873</u>	<u>57,904,081</u>
Total capital		
Long-term debt:		
National Rural Utilities Cooperative Finance Corporation	<u>88,055,461</u>	<u>94,124,198</u>
Current liabilities:		
Accounts payable	12,614,927	10,140,312
Lines of credit	126,524,248	114,571,698
Current portion of long-term debt	6,083,390	7,326,005
Current portion of accumulated provision for postretirement benefits	838,511	818,526
Accrued interest	545,950	631,207
Member deposits	5,438,969	5,319,918
Other accrued liabilities	984,250	884,596
	<u>153,030,245</u>	<u>139,692,262</u>
Total current liabilities		
Deferred credits and other liabilities:		
Accumulated provision for postretirement benefits	<u>19,307,031</u>	<u>25,989,979</u>
Total deferred credits and other liabilities	<u>19,307,031</u>	<u>25,989,979</u>
	<u>260,392,737</u>	<u>259,806,439</u>
Total liabilities		
Total liabilities and capital	<u>\$ 324,173,610</u>	<u>\$ 317,710,520</u>

The accompanying notes are an integral part of this financial statement.



**BEAUREGARD ELECTRIC COOPERATIVE, INC.**

Statements of Revenue and Expenses

For The Years Ended December 31, 2022 and 2021

	2022	2021
Operating revenue:		
Electricity sales	\$ 149,755,433	\$ 124,953,677
Miscellaneous electric revenue	1,157,191	1,774,213
Total Operating Revenue	150,912,624	126,727,890
Operating expenses:		
Power purchased	111,893,206	89,706,958
Transmission - operation	259,988	245,485
Distribution - operation	6,018,711	5,771,974
Distribution - maintenance	8,275,490	8,763,454
Customer accounting and collection expenses	2,559,809	2,419,161
Marketing	335,015	302,463
Administrative and general	5,193,076	5,270,726
Depreciation and amortization	7,528,120	7,369,921
Total operating expenses	142,063,415	119,850,142
Operating margins before interest expense	8,849,209	6,877,748
Interest expense	3,892,171	3,976,097
Operating margins	4,957,038	2,901,651
Nonoperating margins:		
Capital credits received	714,652	1,225,663
Interest income	127,155	159,209
Paycheck Protection Program loan forgiveness	-	2,509,957
GOHSEP overpayment refund	(70,670)	-
Disposal of assets	115,829	12,268
Other	32,314	26,759
Total nonoperating margins	919,280	3,933,856
Net margins	\$ 5,876,318	\$ 6,835,507

The accompanying notes are an integral part of this financial statement.

**BEAUREGARD ELECTRIC COOPERATIVE, INC.**

Statements of Equities and Margins

For The Years Ended December 31, 2022 and 2021

	<u>Memberships</u>	<u>Patronage Capital</u>	<u>Donated Capital</u>	<u>Total</u>
Balance at December 31, 2020	\$ 159,045	\$ 50,743,064	\$ 164,870	\$ 51,066,979
2021 net margins	-	6,835,507	-	6,835,507
Retirement of capital credits	-	-	-	-
Net change in memberships	<u>1,595</u>	<u>-</u>	<u>-</u>	<u>1,595</u>
Balance at December 31, 2021	160,640	57,578,571	164,870	57,904,081
2022 net margins	-	5,876,318	-	5,876,318
Retirement of capital credits	-	-	-	-
Net change in memberships	<u>474</u>	<u>-</u>	<u>-</u>	<u>474</u>
Balance at December 31, 2022	<u>\$ 161,114</u>	<u>\$ 63,454,889</u>	<u>\$ 164,870</u>	<u>\$ 63,780,873</u>

The accompanying notes are an integral part of this financial statement.

**BEAUREGARD ELECTRIC COOPERATIVE, INC.**

Statements of Cash Flows

For The Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Net margins	\$ 5,876,318	\$ 6,835,507
Reconciliation of net margins to net cash provided by operating activities:		
Depreciation and amortization	8,081,061	7,922,862
(Gain) loss on disposition of assets	(115,829)	(12,268)
Change in deferred regulatory charges	8,047,976	483,950
Change in accumulated provision for postretirement benefits	(6,662,963)	954,843
Changes in current assets and liabilities:		
Accounts receivable	(4,455,998)	(963,048)
Other current assets	478,902	252,083
Accounts payable	2,474,615	(24,026)
Other accrued liabilities	99,654	119,441
	<u>13,823,736</u>	<u>15,569,344</u>
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(14,368,769)	(18,470,899)
Change in materials inventory	(75,715)	(34,061)
Change in construction accounts payable	-	(13,650,688)
Reimbursement of capital expenditures	351,433	272,792
Interest cost capitalized to plant	(3,516,260)	(2,024,849)
Proceeds of sales of assets	-	41,426
Change in investments in associated organizations	(116,720)	(589,341)
	<u>(17,726,031)</u>	<u>(34,455,620)</u>
Cash flows from financing activities:		
Drawdowns on lines of credit	11,952,550	11,088,832
Change in disaster assistance receivable	(264,421)	(272,792)
Proceeds from issuance of long-term debt	-	11,143,375
Paycheck Protection Loan forgiveness	-	(2,509,957)
Payments on long-term debt	(7,311,352)	(299,732)
Change in member deposits	119,051	200,132
Net change in memberships	474	1,595
	<u>4,496,302</u>	<u>19,351,453</u>
Net cash provided (used) by financing activities		
	<u>594,007</u>	<u>465,177</u>
Cash and cash equivalents, beginning of year	<u>2,002,533</u>	<u>1,537,356</u>
Cash and cash equivalents, end of year	<u>\$ 2,596,540</u>	<u>\$ 2,002,533</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 7,493,688</u>	<u>\$ 5,873,058</u>

The accompanying notes are an integral part of this financial statement.

# BEAUREGARD ELECTRIC COOPERATIVE, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Beauregard Electric Cooperative, Inc. (the Cooperative), is a Louisiana non-profit corporation organized to provide electric service at the retail level to residential and commercial accounts in southwest Louisiana. Power delivered at retail is purchased wholesale primarily from Louisiana Generating, LLC. The Cooperative is regulated by the Louisiana Public Service Commission (LPSC). Any revenues earned in excess of costs incurred are allocated to members of the Cooperative and are reflected as patronage capital equity in the balance sheet.

The accounting records of the Cooperative are maintained in accordance with the Rural Utilities Service (RUS) Uniform System of Accounts (USOA). The financial statements and the accompanying notes to the financial statements have been prepared on the basis of U.S. generally accepted accounting principles (GAAP).

#### **Regulatory Accounting**

Due to regulation of its rates by the LPSC, the Cooperative follows regulatory accounting requirements. Regulatory accounting requirements recognize that the ratemaking process can result in differences in the application of generally accepted accounting principles between regulated and non-regulated businesses. Such differences generally involve the accounting period in which various transactions enter into the determination of net margin. Accordingly, certain costs and receipts may be capitalized as a regulatory asset or liability that would otherwise be charged to expense or revenues. Regulatory assets and liabilities (included in deferred charges and deferred credits) are recorded when it is probable that future rates will permit their recovery and are amortized over their expected recovery period as authorized by the Board of Directors.

#### **Patronage Capital**

In conformity with its bylaws, the Cooperative conducts its operations on a cooperative, nonprofit basis. Annual revenues in excess of the cost of providing service, commonly referred to as net margins, are allocated in the form of "capital credits" to the customers' capital accounts on the basis of patronage. Capital credits are returned to members in accordance with the Cooperative's policies and are classified as payable upon Board resolution authorizing retirement.

#### **Utility Plant**

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.

Depreciation is recorded on the composite basis and is charged to capital and operating accounts at rates adopted by the Board of Directors in conformity with guidelines provided by the Rural Utilities Service. When transmission and distribution units of property are retired, their average cost (specific unit cost for substantially all of the general plant) is removed from utility plant and the cost, less net salvage, is removed from allowances for depreciation.

# BEAUREGARD ELECTRIC COOPERATIVE, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Costs of routine repairs and maintenance that do not improve or extend the useful lives of the related assets, and the replacement and renewal of items determined to be less than units of plant are charged to maintenance as incurred.

Depreciation expense is provided by the straight-line method over the composite rate or a specific unit basis for transportation and power operated equipment as follows:

<u>Classification</u>	<u>Rate</u>
Transmission plant	2.93%
Distribution plant	2.30% to 2.89%
General plant:	
Structures and improvements	2% to 20%
Transportation equipment	10% to 33%
Power operated equipment	12%
Other general plant	5% to 20%

### Valuation of Long-Lived Assets

Management of the Cooperative periodically reviews the net carrying value of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset might not be recoverable. These reviews consider the net realizable value of each asset to determine whether an impairment in value has occurred, and whether there is a need for any impairment write-down. Impaired assets are reported at the lower of cost or fair value. At December 31, 2022 and 2021, no assets were considered to be impaired.

### Cash and Cash Equivalents

For purposes of the statement 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.

### Investments in Associated Organizations

In the course of its business, the Cooperative has become a member of other cooperative organizations. Such membership required an investment in each cooperative for which the Cooperative periodically receives patronage which can be disbursed or reinvested. These investments are carried at cost adjusted for any reinvested patronage.

The Beauregard Electric Cooperative, Inc. purchases power from the 1803 Electric Cooperative. The Beauregard Electric Cooperative, Inc.'s general manager also serves as the Secretary-Treasurer of the 1803 Electric Cooperative.

# BEAUREGARD ELECTRIC COOPERATIVE, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

### Revenue Recognition

The Cooperative implemented ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, effective January 1, 2019. Topic 606 requires entities to “recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.” The ASU details a five-step model that should be followed to achieve the core principle.

Revenues from electric service are recognized when services are transferred to the customer in an amount equal to what the Cooperative has the right to bill the customer because this amount represents the value of services provided to customers.

The Cooperative’s primary source of revenue is from retail electric sales sold under tariff rates approved by LPSC and are derived from contracts with customers. Performance obligations related to the sale of energy are satisfied as energy is delivered to customers. The measurement of energy sales to customers is generally based on the reading of their meters. The Cooperative transmits and distributes electric power primarily to retail customers in southwestern Louisiana. Energy is provided on demand throughout the month, measured by a meter located at the customer’s property. The Cooperative issues monthly bills to customers at rates approved by regulators for power and related services provided during the previous billing cycle.

To the extent that deliveries have occurred but a bill has not been issued, the Cooperative records an accrual for energy delivered since the latest billings. The Cooperative calculates the accrual based on meter readings gathered remotely on the last day of the month. The Cooperative has calculated that its unbilled revenue for delivered power usage which has not been billed to customers at December 31, 2022 and 2021 amounted to \$16,636,374 and \$11,705,629, respectively.

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

A portion of the members’ billings relates to power cost adjustments. Due to the timing of when the adjustments are actually billed to the member, a cumulative under/(overbilled) amount is recorded as an adjustment to electricity sales.

### Accounts Receivable

Accounts receivable are stated at the amount that management of the Cooperative expects to collect from outstanding balances. Management provides for probable uncollectible amounts through an allowance for doubtful accounts. Additions to the allowance for doubtful accounts are based on management’s judgment, considering historical write-offs, review of specific past-due accounts, collections, and current credit conditions. Generally, the Cooperative considers accounts receivable past due after 30 days. Balances which remain outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to the applicable accounts receivable. Payments received on accounts subsequent to being written off are considered a bad debt recovery.

# BEAUREGARD ELECTRIC COOPERATIVE, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

### **Inventories**

Inventories consist primarily of materials and supplies for construction and maintenance of the Cooperative's transmission and distribution system and are stated at lower of average unit cost, as prescribed by RUS. Usable material from plant retirements is returned to inventory at current average cost.

### **Income Taxes**

The Cooperative is exempt from federal income taxes under Section 501 (c) (12) of the Internal Revenue Code. Accordingly, there is no provision for income taxes in the accompanying financial statements.

In accordance with FASB ASC 740-10 which also requires the disclosure of open tax years subject to examination and the policy for classifying interest and penalties, the Cooperative has performed an evaluation and determined that no uncertain tax liabilities or positions exist for the years ended December 31, 2022 and 2021. The Cooperative's tax years of December 31, 2019 through December 31, 2021 remain subject to examination by federal and state taxing authorities.

### **Fair Value Measurements**

ASC Topic 820, Fair Value Measurement and Disclosures, establishes a fair value hierarchy for those assets and liabilities measured at fair value, that distinguishes between assumptions based on market data (observable inputs) and the organization's own assumptions (unobservable inputs). The hierarchy consists of: Level 1 – quoted market prices in active markets for identical instruments; Level 2 – inputs other than Level 1 inputs that are observable; and Level 3 – unobservable inputs developed using estimates and assumptions determined by the organization.

ASC Topic 825, Financial Instruments, permits entities to choose to measure many financial assets and liabilities at fair value. The fair value of a financial instrument is the amount at which these instruments could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. At December 31, 2022 and 2021, there were no assets or liabilities that were measured at fair value on a recurring basis. Certain assets are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis, but subject to fair value adjustments only in certain circumstances (for example, when there is evidence of impairment). The Cooperative had no assets measured at fair value on a nonrecurring basis at December 31, 2022 and 2021.

### **Advertising**

Advertising costs are charged to expense when incurred. Advertising expense was \$335,015 and \$302,463 for the years ended December 31, 2022 and 2021, respectively.

# BEAUREGARD ELECTRIC COOPERATIVE, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

### Use of Estimates

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

### Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations.

### (2) UTILITY PLANT

Utility plant consisted of the following at December 31, 2022 and 2021:

	2022	2021
Transmission plant	\$ 23,430,032	\$ 23,423,480
Distribution plant	220,817,024	215,143,421
General plant	24,930,120	24,678,337
Intangible plant	5,678,877	5,469,746
Construction work in progress	31,580,694	22,426,775
Total	306,436,747	291,141,759
Accumulated depreciation	(98,125,519)	(92,749,733)
Total utility plant, net	<u>\$ 208,311,228</u>	<u>\$ 198,392,026</u>

Depreciation and amortization expense was \$8,067,974 and \$7,922,862 for the years ended December 31, 2022 and 2021.

### (3) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of the following at December 31, 2022 and 2021:

	2022	2021
Cash on hand	\$ 3,100	\$ 3,100
Cash in bank	2,593,440	1,999,433
	<u>\$ 2,596,540</u>	<u>\$ 2,002,533</u>



# BEAUREGARD ELECTRIC COOPERATIVE, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

### (4) INVESTMENTS IN ASSOCIATED ORGANIZATIONS

The Cooperative has business relationships with various other cooperatives. As a result, the Cooperative holds membership rights in these organizations, which include the right to receive patronage allocations.

Investments in associated organizations consisted of the following at December 31, 2021 and 2020:

	2022	2021
Arkansas Electric Cooperative Corp. - patronage capital	\$ 460,608	\$ 457,860
Meridian Cooperative - patronage capital	333,324	300,569
Federated Rural Electric Insurance Exchange - patronage capital	925,546	831,824
CoBank:		
Membership	1,000	1,000
Patronage capital	117,974	106,067
Cooperative Finance Corporation (CFC):		
Membership	1,000	1,000
Patronage capital	3,299,028	3,146,980
Capital term certificates (CTC):		
Loan (LTC)	543,900	479,250
Subscriptions (SCTC)	1,292,015	1,292,015
Zero rate (ZTC)	668,696	930,293
Other	195,520	175,033
Total investments in associated organizations	\$ 7,838,611	\$ 7,721,891

The capital term certificates invested in CFC are unsecured and subordinated. The LTCs bear interest at an annual rate of 3.00% and mature between 2020 and 2030. The SCTCs bear interest at an annual rate of 5.00% and mature between 2070 and 2080. The ZTCs are non-interest bearing and mature between 2022 and 2042.

### (5) ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at December 31, 2022 and 2021:

	2022	2021
Consumer accounts receivable	\$ 4,816,494	\$ 3,915,540
Unbilled electric revenues	16,636,374	11,705,629
Accounts receivable - other	723,952	2,045,322
Total	22,176,820	17,666,491
Accumulated provision for uncollectible accounts	(102,504)	(48,173)
Total accounts receivable, net	\$ 22,074,316	\$ 17,618,318

# BEAUREGARD ELECTRIC COOPERATIVE, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

### (6) DISASTER ASSISTANCE RECEIVABLE

In 2020, southwest Louisiana was struck by two hurricanes, Laura and Delta, which caused significant damage to the Cooperative's transmission and distribution plant. The Cooperative has recorded a receivable for what it estimates the Federal Emergency Management Agency FEMA via the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) will reimburse the Cooperative for hurricane recovery related to costs through December 31, 2022 and 2021.

### (7) DEFERRED CHARGES

Deferred charges consisted of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Unrecognized actuarial (gain) loss on OPEB plan	\$ (991,817)	\$ 6,556,131
RS Plan prepayment	<u>291,683</u>	<u>791,711</u>
Total deferred charges	<u>\$ (700,134)</u>	<u>\$ 7,347,842</u>

Regulatory assets are recorded for expenses that are deferred and will be recovered through rates charged to members in future periods. Such deferrals are made at the discretion of the Cooperative's Board of Directors.

As a result of the Cooperative's other postretirement benefits plan, the unamortized actuarial loss related to the plan is recorded as a regulatory asset. The Cooperative amortizes this asset as determined by the Plan actuary.

At the December 2012 meeting of the I&FS Committee of the NRECA Board of Directors, the Committee approved an option to allow participating cooperatives in the RS Plan to make a contribution prepayment and reduce future required contributions. The prepayment amount is a cooperative's share, as of January 1, 2013, of future contributions required to fund the RS Plan's unfunded value of benefits earned to date using RS Plan actuarial valuation assumptions. The prepayment amount will typically equal approximately 2.5 times a cooperative's annual RS Plan required contribution as of January 1, 2013. After making the prepayment, for most cooperatives the billing rate is reduced by approximately 25%, retroactive to the January 1st of the year in which the amount is paid to the RS Plan. The 25% differential in billing rates is expected to continue for approximately 15 years from January 1, 2013. However, changes in interest rates, asset returns and other plan experience different from expected, plan assumption changes and other factors may have an impact on the differential in billing rates and the 15-year period. The Cooperative's prepayment of \$5,000,280 was recorded as a deferred charge and is being amortized over ten years.

# BEAUREGARD ELECTRIC COOPERATIVE, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

### (8) PLEDGED ASSETS, LINE OF CREDIT, AND LONG-TERM DEBT

The Cooperative has entered into various borrowing arrangements to finance plant construction and to provide working capital. As a result of these arrangements, substantially all assets of the Cooperative have been pledged as collateral. The loan agreements include covenant requirements of the Cooperative, including maintenance of a debt service coverage ratio (as defined) of 1.35.

Long-term debt consists of the following:

	2022	2021
Fixed and variable rate notes payable due to CFC in quarterly installments of principle and interest with rates ranging from 3.25%-5.75%, maturing at various dates through February 29, 2048, collateralized by substantially all the assets of the Cooperative	\$ 86,601,327	\$ 93,609,163
Variable rate (1.245% at December 31, 2020) note payable to Federal Agricultural Mortgage Corporation (Farmer Mac) in semi-annual payments of principal and interest, maturing February 1, 2044, collateralized by substantially all the assets of the Cooperative	7,537,524	7,841,040
Total long-term debt	94,138,851	101,450,203
Less current maturities	(6,083,390)	(7,326,005)
Total long-term debt, less current maturities	\$ 88,055,461	\$ 94,124,198

At December 31, 2022, there were unfunded amounts totaling \$0 remaining on these long-term facilities.

As of December 31, 2022, annual maturities of long-term debt outstanding for the next five years are as follows:

Year	Annual Principal Payments
2023	\$ 5,776,042
2024	4,392,395
2025	4,562,186
2026	4,664,115
2027	4,615,885
Thereafter	70,128,228
Total	\$ 94,138,851

# BEAUREGARD ELECTRIC COOPERATIVE, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

The Cooperative has lines of credit totaling \$116,400,000 with CFC carrying interest rates between 5.15%-5.75% at year end. At December 31, 2022, \$126,524,248 was advanced on the line. The Cooperative has a line of credit of \$15,000,000 with CoBank carrying an interest rate of 6.70% at year end. At December 31, 2022, \$10,750,173 was advanced on the line.

### **(9) DEFERRED CREDITS**

The Cooperative participated in a program which allowed the early payback of debt to RUS at a discounted rate. This extinguishment of debt created a gain for the Cooperative, which is reflected as income in equal annual amounts over the life of the new loan.

### **(10) PENSION PLANS**

The Cooperative participates in the National Rural Electric Cooperative (NRECA) Retirement Security Plan (RS Plan), a multiemployer 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.

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.

The Cooperative's contributions to the RS Plan in 2022 and in 2021 represented less than 5 percent of the total contributions made to the RS Plan by all participating employers. The Cooperative made contributions to the RS Plan of \$1,846,964 in 2022 and \$1,770,157 in 2021. There have been no significant changes that affect the comparability of 2022 and 2021 contributions.

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.

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.

Full-time employees are eligible to participate in a 401(k) plan administered by NRECA. Participants can contribute up to 100% of the participants' salary to a maximum of \$22,500.

# BEAUREGARD ELECTRIC COOPERATIVE, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

### (11) POST RETIREMENT BENEFITS OTHER THAN PENSIONS

In addition to providing pension benefits, the Cooperative provides certain medical insurance benefits for retired employees. The Cooperative has adopted SFAS No. 158, *Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans*, which requires the Cooperative to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability, respectively, in its balance sheet and recognize changes in that funded status in the year in which the change occurs in other comprehensive income. However, for entities such as the Cooperative that are subject to SFAS No. 71, the net loss, prior service cost, and transition obligation are recorded as a regulatory asset since the Cooperative has historically recovered and currently recovers pension and other postretirement benefits through its electric rates and there is no negative evidence that the existing regulatory treatment will change. If, in the future, the regulatory bodies indicate a change in policy related to the recovery of pension and other postretirement benefit costs, this could cause the regulatory asset to be reclassified as other comprehensive income.

Disclosures for the plan for the years ended December 31, 2022 and 2021, are as follows:

	2022	2021
Accumulated benefit obligation, beginning of year	\$ 26,808,505	\$ 25,853,662
Net actuarial (gain)/loss	(7,798,897)	(158,057)
Service cost	1,096,791	1,017,341
Interest cost	857,669	851,411
Benefit payments	(818,526)	(755,852)
Accumulated benefit obligation, end of year	\$ 20,145,542	\$ 26,808,505
Funded status:		
Net plan assets	\$ -	\$ -
Net liability recognized	\$ 20,145,542	\$ 26,808,505
Deferred actuarial (gain)/loss, beginning of year	\$ 6,556,131	\$ 6,540,053
Net actuarial (gain)/loss	(7,798,897)	158,057
Amortization of actuarial gain/(loss)	(275,233)	(141,979)
Other	526,182	-
Deferred actuarial (gain)/loss, end of year	\$ (991,817)	\$ 6,556,131
Net periodic cost:		
Service cost	\$ 1,096,791	\$ 1,017,341
Interest cost	857,669	851,411
Amortization of actuarial (gain)/loss	275,233	141,979
Total	\$ 2,229,693	\$ 2,010,731

# BEAUREGARD ELECTRIC COOPERATIVE, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Estimated future benefit payments for the next ten years are as follows:

Year	Annual Payments
2023	\$ 838,511
2024	870,002
2025	913,522
2026	980,177
2027	\$ 1,050,050

### Assumptions

The weighted-average rate assumptions used to determine net periodic benefit cost for the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
Discount rate	3.30%	3.30%
Health care cost trend for next year	6.40%	6.40%

A one percentage point increase in the health care trend rates would have increased the accumulated benefit obligation at December 31, 2022, by \$2,573,685 and would have increased the service and interest costs for the year ended December 31, 2022, by \$249,691.

### (12) CONTINGENCIES, RISKS, AND UNCERTAINTIES

The Cooperative utilizes a local bank for its cash deposits. Periodically, the Cooperative's deposits exceed the maximum FDIC coverage amounts. Management considers the bank to be financially sound and continues to monitor the bank's financial stability.

The Cooperative maintains insurance coverage through commercial insurance carriers for liability, property damage, and various other types of loss risk. Management is unaware of any claims or lawsuits against the Cooperative that would not be covered by insurance.

Under its wholesale power agreement, the Cooperative is committed to purchase all of its electric power from Louisiana Generating, LLC. The rates for such purchases are subject to review annually and are regulated by LPSC. Future operating results could be materially affected in the event of an interruption of the supply of power from Louisiana Generating, LLC.

The Cooperative received Federal Emergency Management Agency (FEMA) funding resulting from damages incurred from Hurricane Rita which impacted the Cooperative in 2005. FEMA has notified the Cooperative of the possibility of repayment of a portion of this funding. At the date of the audit report, an estimate cannot be made of the amount of this possible Hurricane Rita funding repayment to FEMA.

# BEAUREGARD ELECTRIC COOPERATIVE, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

### (13) FAIR VALUE OF FINANCIAL INSTRUMENTS

Accounting standards generally accepted in the United States, requires disclosure of fair value information about financial instruments. Many of the Cooperative's financial instruments lack an available market as characterized by a normal exchange between a willing buyer and a willing seller. Accordingly, significant assumptions, estimations, and present value calculations were used for purposes of this disclosure.

The following assumptions were used to estimate fair value of each class of financial instrument for which estimation is practicable:

CFC Capital Term Certificates – It is not practicable to estimate fair value for these financial instruments given the lack of a market and their long holding period.

Cash and Temporary Cash Investments – Valued at its historical cost given the short period to maturity.

Accounts receivable – Valued at its historical cost given the short period to maturity.

Accounts payable – Valued at its historical cost given the short period to maturity.

Long-Term Variable Rate Debt and Lines of Credit – Valued at its historical cost due to the frequency at which these notes re-price.

Long-Term Fixed Rate Debt – Estimated by computing the present value of future debt service payments using currently quoted or offered rates for similar issues of debt (Level 2). The interest rate on the Cooperative's latest financing with CFC (3.77%) was used to determine fair value. These are the only financial instruments of the Cooperative that have a difference in fair value and carrying value.

The carrying value of the Cooperative's fixed rate debt and the estimated fair value are as follows:

	2022	
	Carrying Amount	Fair Value
Fixed rate long-term debt	<u>\$86,601,327</u>	<u>\$86,601,327</u>

# **BEAUREGARD ELECTRIC COOPERATIVE, INC.**

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021**

### **(14) SUBSEQUENT EVENTS**

Subsequent events have been evaluated through the date of the audit report, which is the date the financial statements were available to be issued.

### **(15) PUBLIC FUNDS PAID TO AGENCY HEAD**

Kevin Turner, general manager, is considered the agency head of Beaugard Electric Cooperative for purposes of required disclosures under Louisiana R.S. 24:513(A)(3). Mr. Turner received no payments of public funds during the years ended December 31, 2022 and 2021.

### **(16) FORGIVENESS OF DEBT**

During 2021, the Cooperative applied for and was notified that \$2,509,957 in eligible expenditures for payroll and other expenses described in the CARES Act Paycheck Protection Program loan has been forgiven. The Paycheck Protection Program loan forgiveness is reflected in the accompanying statements of revenue and expenses.



# **COMPLIANCE SECTION**

# STEVEN M. DEROUEN & ASSOCIATES, LLC

*Certified Public Accountants*

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Member Louisiana Society of  
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## **INDEPENDENT AUDITOR'S REPORT REGARDING LOAN FUND EXPENDITURES**

To the Board of Directors  
Beauregard Electric Cooperative, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Beauregard Electric Cooperative, Inc., as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements and have issued our report thereon dated March 7, 2023.

In connection with our audit, nothing came to our attention that caused us to believe that the Cooperative failed to comply with the terms, covenants, provisions, or conditions of the Loan Agreements with National Rural Utilities Cooperative Finance Corporation (CFC), insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such compliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Cooperative's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the Agreements, insofar as they relate to accounting matters.

This report is intended solely for the information and use of the Board of Directors and management of the Cooperative and CFC and should not be used by anyone other than these specified parties.

*Steven M. DeRouen & Associates, LLC*

Lake Charles, Louisiana  
March 7, 2027

**INFORMATION REQUIRED BY  
*GOVERNMENT AUDITING STANDARDS***

# STEVEN M. DEROUEN & ASSOCIATES, LLC

*Certified Public Accountants*

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

Board of Directors  
Beauregard Electric Cooperative, Inc.  
DeRidder, 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 Beauregard Electric Cooperative, Inc. (a nonprofit organization), which comprise the balance sheet as of December 31, 2022, and the related statements of revenues and expenses, equities and margins, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 25, 2023.

### **Report on Internal Control Over Financial Reporting**

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

## **Report on Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Steven M. DeRouen & Associates, LLC

Lake Charles, Louisiana  
March 25, 2023

**BEAUREGARD ELECTRIC COOPERATIVE, INC.**

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2022**

I. Summary of Auditor's Results

**Financial Statements:**

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

Internal Control over Financial Reporting

Significant Deficiencies: **None Reported**

Material Weaknesses: **No**

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

There were no current year management letter comments.

II. Financial Statement Findings

None Reported.

III. Prior Year Audit Findings

Not Applicable.