JEFFERSON DAVIS ELECTRIC COOPERATIVE, INC.

JENNINGS, LOUISIANA

UNIFORM GUIDANCE COMPLIANCE REPORTING PACKAGE

FOR THE YEAR ENDED DECEMBER 31, 2023

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

JEFFERSON DAVIS ELECTRIC COOPERATIVE
JENNINGS, LOUISIANA

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

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BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
PHONE: (806) 747-3806
FAX: (806) 747-3815
8215 NASHVILLE AVENUE
LUBBOCK, TEXAS 79423-1954

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Jefferson Davis Electric Cooperative, Inc.
Jennings, Louisiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Program

We have audited Jefferson Davis Electric Cooperative, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Jefferson Davis Electric Cooperative, Inc.'s major federal programs for the year ended December 31, 2023. Jefferson Davis Electric Cooperative, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Jefferson Davis Electric Cooperative, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Cooperative's compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Cooperative's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control over compliance. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the schedule.

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

Report on Internal Control over Compliance

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

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

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

Purpose of This Report

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

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

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

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

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

June 14, 2024

Bolinger, Segars, Gilbert & Moss, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
PHONE: (806) 747-3806
FAX: (806) 747-3815
8215 NASHVILLE AVENUE
LUBBOCK, TEXAS 79423-1954

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

Board of Directors
Jefferson Davis Electric Cooperative, Inc.
Jennings, 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 Jefferson Davis Electric Cooperative, Inc. (the Cooperative), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements, and have issued our report thereon dated June 14, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Cooperative's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cooperative's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned as items 2023-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as items 2023-002 to be a significant deficiency.

Report on Compliance and Other Matters

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

Jefferson Davis Electric Cooperative, Inc.'s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Jefferson Davis Electric Cooperative, Inc.'s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Jefferson Davis Electric Cooperative, Inc.'s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

June 14, 2024

JEFFERSON DAVIS ELECTRIC COOPERATIVE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023

I. Summary of Auditor's Results:

Financial Statements:

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

Internal Control over Financial Reporting

Material Weakness(es): **Yes**

Significant Deficiencies: **Yes**

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

Federal Awards:

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

Internal Control over Major Federal Programs

Material Weaknesses: **None Reported**

Significant Deficiencies: **None Reported**

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

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

Dollar threshold used to distinguish between Type A and Type B programs: **$3,673,043**

Low risk auditee: **No**

II. Financial Statement Findings:

Material Weakness(es)

2023-001 *Closing Completed Work Orders to Incorrect Record Units*

Condition and Criteria: Testing of closed Work Orders during the audit revealed that the Cooperative is closing work orders to the incorrect record units.

Effect: Incorrect allocation of cost can impact the rates that members are paying the cooperative.

JEFFERSON DAVIS ELECTRIC COOPERATIVE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Cause:	Procedures were not in place to review as-built staking sheets before closing work orders into electric plant in service.
Recommendation:	Create a procedure to reconcile the staking sheet, materials and the record units prior to closing work orders to electric plant in service.

Views of Responsible Officials and Planned Corrective Actions:

2023-001	The Cooperative reviewed all construction units to ensure that materials were updated to reflect the materials to be used to build electric plant in service. The Cooperative also halted the closing of work orders for several months while the Cooperative hired their software supplier to train the Cooperative's employees on the procedures to close work orders to the appropriate record units.
Contact:	Tara Guinn – Chief Financial Officer

Significant Deficiency

2023-002	*Write Off of Bad Debts*
Condition and Criteria:	The Board of Directors approves write offs of uncollectible accounts and rather than writing off the account in the software, the Cooperative sends the uncollected amounts to collections. The amount approved for write off does not match the amount approved by the Board of Directors.
Effect:	Written off amounts will appear on the aging report as owed and thus increasing the past due amounts.
Cause:	Bad Debts approved for write off are not being written off in the billing system.
Recommendation:	The Cooperative should write off amounts approved by the Board of Directors so that the amounts written off on the general ledger match the amount approved by the Board of Directors.

Views of Responsible Officials and Planned Corrective Actions:

2023-002	The Cooperative plans to implement a procedure so that amounts approved for write off by the Board of Directors are changed to written off status in the Cooperative billing system. The Cooperative will continue to send the amounts to collections but the amounts will appear in a write off status rather than a sent to collections status.
Contact:	Tara Guinn – Chief Financial Officer

JEFFERSON DAVIS ELECTRIC COOPERATIVE, INC.

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

Current Year's Findings/Noncompliance

None for the year ended December 31, 2023.

Prior Year's Findings/Noncompliance

N/A – No Compliance Report in the Prior Year

JEFFERSON DAVIS ELECTRIC COOPERATIVE, INC.

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

Agency Head Name: Michael Heinen, CEO

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

JEFFERSON DAVIS ELECTRIC COOPERATIVE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Assistance Listing Number	Total Federal Expenditures	Amount Passed Through to Subrecipient
FEDERAL AWARDS				
U.S. Department of Homeland Security				
Federal Emergency Management Agency (FEMA) Passed through the Government Office of Homeland Security and Emergency Preparedness (GOHSEP)				
Public Assistance Grant (Presidentially Declared Disasters)	DR 4559	97.036	$ 122,434,775	$
Total Department of Homeland Security and Federal Awards			$ 122,434,775	$ 0

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of Jefferson Davis Electric Cooperative, Inc. (the Cooperative) and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the Cooperative, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Cooperative.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

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

NOTE D –TOTAL FEMA FUNDS RECEIVED

The Cooperative received a total of $185,360,565 from FEMA during the year ended December 31, 2023.

JEFFERSON DAVIS ELECTRIC COOPERATIVE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE E–CREDIT RISK

As of December 31,2023, the Cooperative had cash received from FEMA deposited in a checking account located at a local financial institution totaling $20,969,189. The Cooperative is advanced funds from FEMA that are used to build transmission line as part of the Cooperative's FEMA claim. The account is non-interest bearing and is insured up to $250,000 by the Federal Deposit Insurance Corporation.

JEFFERSON DAVIS ELECTRIC COOPERATIVE, INC.

JENNINGS, LOUISIANA

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

JEFFERSON DAVIS ELECTRIC COOPERATIVE, INC.
JENNINGS, LOUISIANA

FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
PHONE: (806) 747-3806
FAX: (806) 747-3815
8215 NASHVILLE AVENUE
LUBBOCK, TEXAS 79423-1954

Independent Auditor's Report

Board of Directors
Jefferson Davis Electric Cooperative, Inc.
Jennings, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Jefferson Davis Electric Cooperative, Inc., which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income and patronage capital, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jefferson Davis Electric Cooperative, Inc. as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the 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 the Cooperative's ability to continue as a going concern within one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the 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 the Cooperative's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cooperative's ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2024 on our consideration of the Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Cooperative'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 Jefferson Davis Electric Cooperative, Inc.'s internal control over financial reporting and compliance.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

April 15, 2024

FINANCIAL STATEMENTS

JEFFERSON DAVIS ELECTRIC COOPERATIVE, INC.

Exhibit A

BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

ASSETS

	December 31, 2023	December 31, 2022
UTILITY PLANT AT COST		
Electric Plant in Service	$ 66,516,012	$ 62,767,266
Right of Use Lease Asset	344,561	541,519
Construction Work in Progress	33,414,224	29,798,060
	$ 100,274,797	$ 93,106,845
Less Accumulated Provision for Depreciation	16,853,956	16,996,560
	$ 83,420,841	$ 76,110,285
OTHER PROPERTY AND INVESTMENTS AT COST OR STATED VALUE		
Investments in Associated Organizations	$ 3,410,418	$ 3,135,589
CURRENT ASSETS		
Cash - General	$ 476,069	$ 5,349,961
Cash - Restricted	20,969,189	
Temporary Cash Investments	54,621	52,426
Accounts Receivable (Less allowance for credit losses of $243,772 in 2023 and $244,604 in 2022)	1,723,853	1,536,510
Disaster Assistance Receivable	102,111,119	159,861,437
Accounts Receivable - Other	763,836	134,725
Unbilled Revenue	2,892,788	2,593,680
Materials and Supplies	2,815,332	4,408,085
Other Current Assets	7,336	68,814
	$ 131,814,143	$ 174,005,638
Deferred Charges	$ 50,901,608	$ 31,011,020
TOTAL ASSETS	$ 269,547,010	$ 284,262,532

LIABILITIES AND EQUITIES

	2023	2022
EQUITIES		
Memberships	$ 39,405	$ 38,710
Patronage Capital	28,558,262	24,911,926
Other Equities (Deficits)	(6,624,098)	(2,829,785)
	$ 21,973,569	$ 22,120,851
LONG-TERM DEBT		
National Rural Utilities Cooperative Finance Corporation, Less Current Maturities	$ 24,656,076	$ 24,710,970
Lease Obligations, Less Current Maturities	144,834	344,097
	$ 24,800,910	$ 25,055,067
NON-CURRENT LIABILITIES		
Post-Retirement Benefit Obligation, Less Current Maturities	$ 7,832,953	$ 7,080,360
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	$ 1,045,000	$ 1,038,000
Current Portion of Post-Retirement Benefit Obligation	426,683	404,021
Current Maturities of Lease Obligations	199,727	197,422
Line of Credit, CFC	177,179,918	215,911,517
Accounts Payable Purchased Power	1,783,259	1,548,317
Accounts Payable - Other	33,927,282	10,312,861
Overbilled Wholesale Power Cost Adjustment	50,642	86,882
Member Deposits	132,614	125,114
Accrued Interest Payable	97,093	95,710
Other Accrued Liabilities	97,360	91,297
	$ 214,939,578	$ 229,811,141
Deferred Credits	$ 0	$ 195,113
TOTAL LIABILITIES AND EQUITIES	$ 269,547,010	$ 284,262,532

See accompanying notes to financial statements.

JEFFERSON DAVIS ELECTRIC COOPERATIVE, INC.

Exhibit B

STATEMENTS OF INCOME AND PATRONAGE CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	Year Ended December 31,				
	2023		2022		Increase
	Amount	%	Amount	%	(Decrease)
OPERATING REVENUES					
Electricity Sales	$ 30,526,963	97.1	$ 29,054,756	0.1	$ 1,472,207
Unbilled Revenue	299,109	0.9	958,858	0.0	(659,749)
Fuel (Over) Under Collected	36,240	0.1	(86,882)	0.0	123,122
Rent from Electric Property	78,297	0.2	98,197	0.0	(19,900)
Miscellaneous Electric Revenue	546,877	1.7	454,777	0.0	92,100
Total Operating Revenues	$ 31,487,486	100.0	$ 30,479,706	0.1	$ 1,007,780
OPERATING EXPENSES					
Purchased Power	$ 17,828,893	56.6	$ 17,439,898	0.0	$ 388,995
Transmission - Maintenance	1,614	0.0	(14,569)	0.0	16,183
Distribution - Operation	2,024,179	6.4	2,398,517	0.0	(374,338)
Distribution - Maintenance	2,578,200	8.2	2,597,902	0.0	(19,702)
Customer Accounts	903,027	2.9	874,201	0.0	28,826
Customer Service and Information	23,812	0.1	25,174	0.0	(1,362)
Selling Expenses	6,097	0.0	4,754	0.0	1,343
Administrative and General	3,690,379	11.7	3,311,065	0.0	379,314
Depreciation and Amortization	1,748,676	5.6	1,650,529	0.0	98,147
Taxes	332,643	1.1	341,961	0.0	(9,318)
Other Interest	1,293,629	4.1	925,622	0.0	368,007
Other Deductions	739,577	2.3	257,949	0.0	481,628
Total Operating Expenses	$ 31,170,726	99.0	$ 29,813,003	0.0	$ 1,357,723
OPERATING MARGINS - Before Fixed Charges	$ 316,760	1.0	$ 666,703	0.1	$ (349,943)
FIXED CHARGES					
Interest on Long-Term Debt	$ 1,074,517	3.4	$ 707,594	-	$ 366,923
Amortization of Prepayment Penalty	33,085	0.1	33,085	-	
	$ 1,107,602	3.5	$ 740,679	0.0	$ 366,923
OPERATING MARGINS (LOSS) - After Fixed Charges	$ (790,842)	(2.5)	$ (73,976)	0.1	$ (716,866)
Other Capital Credits	1,008,173	3.2	512,354	-	495,819
NET OPERATING MARGINS	$ 217,331	0.7	$ 438,378	0.1	$ (221,047)
NONOPERATING MARGINS					
Interest Income	$ 31,519	0.1	$ 30,726	0.0	$ 793
Gain (Loss) on Disposition of Assets	(311,269)	(1.0)	66,628	0.0	(377,897)
Other Income	(45,307)	(0.1)	4,798	0.0	(50,105)
	$ (325,057)	(1.0)	$ 102,152	0.0	$ (427,209)
NET MARGINS (LOSS)	$ (107,726)	(0.3)	$ 540,530	0.1	$ (648,256)
PATRONAGE CAPITAL - BEGINNING OF YEAR	24,911,926		25,735,941		
Estate Retirements	(41,169)		(25,602)		
Offset Prior Losses with Current Year Non-Operating Margins			(102,152)		
Offset Prior Losses with Prior Year Non-Operating Margins	(101,394)		(1,208,248)		
Transfer Current Year Loss to Other Equities	107,726				
Transfer Prior Year Losses to Other Equities	3,788,899				
Transfer Gains to Other Equities			(28,543)		
PATRONAGE CAPITAL - END OF YEAR	$ 28,558,262		$ 24,911,926		

See accompanying notes to financial statements.

JEFFERSON DAVIS ELECTRIC COOPERATIVE, INC.

Exhibit C

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	December 31, 2023	December 31, 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Margin (Loss)	$ (107,726)	$ 540,530
Reconciliation of Net Margins to Net Cash From Operating Activities		
Depreciation and Amortization	2,262,619	1,991,143
(Gain) Loss on Disposition of Assets	311,269	(66,628)
Capital Credits - Non Cash	(536,878)	(289,082)
Post-Retirement Benefit Accruals	567,460	356,775
Unrecorded Audit Entries		180,442
(Increase) Decrease:		
Accounts Receivable and Other Accounts Receivable	(816,454)	818,018
Unbilled Revenue	(299,108)	(958,858)
Materials and Supplies and Other Current Assets	1,654,231	1,266,945
Deferred Charges	(123,131)	122,628
Increase (Decrease):		
Accounts Payable and Other Accrued Liabilities	2,354,974	371,337
(Over) Under Collected Wholesale Power Cost Adjustment	(36,240)	86,882
Deferred Credits	(1,634)	1,634
Net Cash From Operating Activities	$ 5,229,382	$ 4,421,766
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Plant	$ (8,220,669)	$ (8,538,286)
Plant Removal Costs net of Salvage and Other Credits	(1,663,775)	(783,177)
Proceeds from Sale of Assets		435,401
Other Property and Investments	262,049	36,100
Net Cash From Investing Activities	$ (9,622,395)	$ (8,849,962)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Activity on Line of Credit	$ (38,731,599)	$ (16,247,930)
Payments on Long-Term Debt	(1,047,894)	(1,230,380)
Advances on Long-Term Debt	1,000,000	3,250,000
Disaster Assistance - Receivable, Deferral, and Construction	59,858,020	18,734,712
Payments on Right of Use Asset	(196,958)	
Payments on Post-Retirement Benefits	(351,508)	(325,253)
Retirement of Capital Credits	(41,169)	(25,602)
Net Change in Memberships	1,613	720
Net Cash From Financing Activities	$ 20,490,505	$ 4,156,267
NET CHANGE IN CASH, CASH EQUIVALENTS & RESTRICTED CASH	$ 16,097,492	$ (271,929)
CASH, CASH EQUIVALENTS, & RESTRICTED CASH - BEGINNING OF YEAR	5,402,387	5,674,316
CASH, CASH EQUIVALENTS & RESTRICTED CASH - END OF YEAR	$ 21,499,879	$ 5,402,387
CASH, CASH EQUIVALENTS & RESTRICTED CASH CONSISTS OF:		
Cash - General	$ 476,069	$ 5,349,961
Cash - Restricted	20,969,189	
Temporary Cash Investments - Cash Equivalents	54,621	52,426
	$ 21,499,879	$ 5,402,387
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest on Long-Term Debt	$ 1,073,135	$ 925,370
Income Taxes	$ 0	$ 0
SUPPLEMENTAL DISCLOSURES OF NON-CASH FLOW INFORMATION		
Right Of Use Leases	$ 0	$ 541,519

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Nature of Operations

Jefferson Davis 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.

System of Accounts

Although the Cooperative is no longer an Rural Utilities Service (RUS) borrower, the accounting records are maintained in accordance with the 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.

Electric Plant, Maintenance, and Depreciation

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

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

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 RUS. 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.

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.

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.

Restricted Cash

Restricted cash represents advances from the Federal Emergency Management Agency (FEMA) that have not been disbursed to contractors and other approved vendors at the balance sheet date. The use of these funds are restricted for the use of rebuilding infrastructure damaged during Hurricane Laura.

Accounts Receivable

In the normal course of business, the Cooperative recognizes accounts receivable for energy delivered and billed. The Cooperative considers a service delinquent if a payment is not received by the specified due date.

Allowance for Credit Losses

With the adoption of ASC 326 during the year ended December 31, 2023, the term allowance for uncollectible accounts was changed to allowance for credit losses. Additions to the allowance for credit losses 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 credit losses accounts and a credit to the applicable accounts receivable. Payments received on accounts subsequent to being written off are considered a bad debt recovery.

Changes in the allowance for credit losses were as follows:

	December 31, 2023	December 31, 2022
Balance, Beginning of Year	$ 244,604	$ 180,695
Accruals	12	65,551
Write-Offs	(2,141)	(2,800)
Recoveries	1,297	1,158
Balance, End of Year	$ 243,772	$ 244,604

NOTES TO FINANCIAL STATEMENTS

Financial Instruments with Off-Balance Sheet Risk

The Cooperative maintains checking accounts in financial institutions located in its service area. The balances are insured by the Federal Deposit Insurance Corporation (FDIC). Deposits at times exceeded insured amounts.

Group Concentrations of Credit Risk

The Cooperative's headquarters facility is located in Jennings, Louisiana. The service area includes three parishes in Louisiana. The Cooperative records a receivable for electric revenues as billed on a monthly basis. The Cooperative requires a deposit from its members upon connection based on a credit check, which is applied to unpaid bills and fees in the event of default. The deposit accrues interest annually and is returned along with accrued interest after one year of prompt payments. As of December 31, 2023 and 2022, deposits on hand totaled $132,614 and $125,114.

At December 31, 2023, 75% of the Cooperative’s 54 employees work under a collective bargaining agreement. Those employees are represented by the International Brotherhood of Electric Workers whose existing labor agreement will expire on December 31, 2027.

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

Materials and Supplies

Inventories consist primarily of materials and supplies for construction and maintenance of the Cooperative’s transmission and distribution system and are stated at 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 the Financial Accounting Standards Board (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 year ended December 31, 2023. The Cooperative files income tax returns in the U.S. federal jurisdiction. The Cooperative is no longer subject to U.S. federal income tax examinations by tax authorities for a period of three years beyond the filing of those returns.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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.

Advertising

Advertising costs are charged to expense when incurred. Advertising expense was $6,097 and $4,754 for the years ended December 31, 2023 and 2022.

2. Assets Pledged

Substantially all assets are pledged as security for long-term debt due National Rural Utilities Cooperative Finance Corporation (CFC).

3. Utility Plant

Utility Plant consists of the following:

	December 31,	
	2023	2022
Transmission and Distribution Plant	$ 61,258,689	$ 56,613,387
General Plant	5,257,323	6,153,879
Right of Use Lease Assets	344,561	541,519
	$ 66,860,573	$ 63,308,785
Construction Work in Progress	33,414,224	29,798,060
Total	$ 100,274,797	$ 93,106,845
Accumulated Depreciation	(16,853,956)	(16,996,560)
Total Utility Plant, net	$ 83,420,841	$ 76,110,285

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:

Transmission Plant	2.75%
Distribution Plant	2.30% - 3.90%
General Plant:	
Structures and Improvements	3.00%
Transportation Equipment	10.00% - 25.00%
Power Operating Equipment	6.00%
Other General Plant	2.75% - 6.00%

Depreciation was $2,262,619 and $1,991,143 for the years ended December 31, 2023 and 2022 of which $1,748,676 and $1,650,529 were charged to depreciation expense, and $513,943 and $340,614 were allocated to other accounts.

4. Cash, Cash Equivalents, & Restricted Cash

Cash, cash equivalents, & restricted cash consist of the following:

	December 31, 2023	December 31, 2022
Working Funds	$ 1,400	$ 1,400
Cash in Bank	21,443,858	5,348,561
Cooperative Finance Corporation Daily Fund	54,621	52,426
	$ 21,499,879	$ 5,402,387

5. 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:

	December 31, 2023	December 31, 2022
Arkansas Electric Cooperative Corp.	$ 74,861	$ 290,840
Meridian Cooperative	109,421	105,818
Federated Rural Electric Insurance Exchange	428,343	412,591
CoBank Common Stock	9,002	25,760
Gresco Utility Supply, Inc.	966,569	942,034
National Rural Cooperative Finance Corporation (CFC):		
Patronage Capital	1,254,404	790,196
Capital Term Certificates (CTC):	567,818	568,350
Total Investments in Associated Organizations	$ 3,410,418	$ 3,135,589

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 has been approved by the Federal Emergency Management Agency (FEMA) via the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) which will reimburse the Cooperative for hurricane recovery related to costs. The receivable represents the funds that have been considered obligated by FEMA. As a result of hurricanes Laura and Delta, FEMA has obligated funds to the Cooperative. The Cooperative continues to rebuild infrastructure as a result of the hurricane devastation. In 2023, FEMA approved the Cooperative to build a 230KV transmission line that is currently estimated to cost $342,397,574. FEMA is expected to match 90% of the cost of the transmission line. The Cooperative is in the process of locating 10% in additional funds to fully pay for the transmission line. For the 230KV project, FEMA is allowing the Cooperative to receive advance payments prior to disbursement to the contractors. As of December 31, 2023, FEMA funds received are maintained in a separate account at a bank and are in excess of the FDIC insured limits. Upon final closeout of the project worksheets, FEMA and GOHSEP will have the ability to review the claims filed and disallow cost as deemed necessary.

FEMA information consist of the following:

	December 31, 2023	December 31, 2022
Obligated from FEMA	$ 310,577,174	$ 289,668,048
230KV Actual Cost	85,919,998	
Category Z - Administrative Cost	20,781,122	
Payments from FEMA	315,167,175	129,806,610
Receivable from FEMA	102,111,119	159,861,437
Unspent Cash Advances from FEMA - Restricted	20,969,189	

7. Deferred Charges

Deferred charges consist of the following:

	December 31, 2023	December 31, 2022
Prepayment Penalty	$ 474,752	$ 507,837
Regulatory Asset - Hurricane Laura - Generators	30,174,943	20,165,313
Regulatory Asset - Hurricane Laura - Interest	19,704,627	10,312,623
Post-Retirement Benefit Obligation - Actuarial Loss	365,824	
Other	181,462	25,247
	$ 50,901,608	$ 31,011,020

In 2013, the Cooperative refinanced its debt with RUS through CFC. RUS charged the Cooperative a fee of $827,127 for early prepayment of the debt. The fee was deferred and is being amortized over twenty-five years. Amortization expense for the years ended December 31, 2023 and 2022 was $33,085 and $33,085, respectively.

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 and the LPSC.

The damage from the aforementioned hurricanes has left several substations without power. In order to provide electricity to its members, the Cooperative has rented large generators at these substations.

On May 20, 2021, the Cooperative's board of directors approved establishing a regulatory asset for these costs net of expected FEMA reimbursement. The amount currently deferred in the financial statements represents total generator rentals less obligated amounts from FEMA as of the year-end. Any amounts not reimbursed by FEMA is expected to be recovered through a rate rider application through the LPSC.

The Cooperative pays interest on emergency lines of credit (ELOC) financed by the Cooperative's primary lender, CFC. The interest is incurred due to the Cooperative financing payment of invoices associated with hurricanes in advance of reimbursement by FEMA. As a result, the Cooperative applied for and received rate relief related to the interest being paid on the ELOC. The Cooperative is expensing the interest payments at the same amount as being billed to members. Amounts being billed to members are recorded as revenue. The current rate rider associated with interest is 5.65mils per kWh sold.

Interest paid and collected for the years ended December 31, 2023 and 2022 is as follows:

	December 31, 2023	December 31, 2022
Beginning Balance	$ 10,312,623	$
Interest Paid to CFC	10,487,267	10,992,562
Less: Interest Collected through Rate Rider	1,095,263	679,939
	$ 19,704,627	$ 10,312,623

8. Mortgage Notes – CFC

The following is a summary of long-term debt due CFC and maturing at various times from 2024 to 2052:

	December 31, 2023	December 31, 2022
Fixed Rate Notes - 2.710% - 3.840%	$ 5,189,792	$ 5,475,184
Fixed Rate Notes - 4.000% - 4.750%	14,369,439	15,031,050
Fixed Rate Notes - 5.000% - 5.890%	6,141,845	5,242,736
Total CFC Mortgage Notes	$ 25,701,076	$ 25,748,970
Less: Current Maturities	1,045,000	1,038,000
	$ 24,656,076	$ 24,710,970

Principal and interest installments on the above notes are due in quarterly amounts. As of December 31, 2023, annual maturities of long-term debt due CFC for the next five years are as follows:

2024	$ 1,045,000
2025	1,092,000
2026	1,121,000
2027	949,000
2028	932,000

As of December 31, 2023, the Cooperative has $1,505,000 in available loan funds from CFC.

9. Lines of Credit - CFC

As of December 31, 2023 and 2022, the Cooperative had available lines of credit totaling $210,000,000 and $235,000,000, respectively with CFC. As of December 31, 2023 and 2022, $177,179,918 and $215,911,517, respectively was advanced on the lines of credit. As of December 31, 2023 and 2022, there were unfunded amounts totaling $32,820,082 and $21,593,483, respectively remaining on these facilities. As December 31, 2023, the interest rate on the lines of credit ranged 6.65% to 7.25%.

10. Lease Obligations

The Cooperative executed lease agreements with Altec leasing for five bucket and service trucks with an implicit interest rates ranging from 1.34% to 1.75%. The leases are multi-year leases for 48 months. The leases are considered operating leases but the Cooperative has recorded a right of use (ROU) lease asset and corresponding liability associated with the leases.

The balance of the assets are as follows:

	December 31, 2023	December 31, 2022
Transportation Equipment - ROU	$ 344,561	$ 541,519

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

2024	$ 203,389
2025	122,913
2026	23,170
	$ 349,472
Less: Current Maturities	199,727
Less: Interest	4,911
Present Value of Net Lease Obligations	$ 144,834

11. Return of Capital

The mortgage agreement contains provision to make patronage capital retirements. These provisions include minimum equity, debt service and earnings ratios. The equities and margins of the Cooperative represent 8.15% of the total assets at the balance sheet date. Patronage capital estate retirements totaling $41,169 and $25,602 was retired during the years ended December 31, 2023 and 2022, and was within guidelines in the mortgage agreements for return of capital.

NOTES TO FINANCIAL STATEMENTS

12. Patronage Capital

Patronage Capital consists of the following:

	December 31, 2023	December 31, 2022
Assigned	$ 19,471,055	$ 19,512,227
Unbilled Revenue - Unassigned	816,367	816,367
Assignable	8,270,840	4,583,332
	$ 28,558,262	$ 24,911,926

13. Other Equities (Deficits)

Other Equities (Deficits) consist of the following:

	December 31, 2023	December 31, 2022
Donated Capital	$ 4,808	$ 4,808
Retired Capital Credit Gain	28,544	28,544
Prior Operating Losses	(6,657,450)	(2,863,137)
	$ (6,624,098)	$ (2,829,785)

In accordance with its bylaws, the Cooperative uses non-operating margins to offset operating deficits.

14. Deferred Credits

Deferred Credits consist of the following:

	December 31, 2023	December 31, 2022
Post-Retirement Benefit Obligation - Actuarial Gain	$	$ 193,479
Other		1,634
	$ 0	$ 195,113

15. Pension Plan

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 2023 and 2022 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 $466,633 in 2023 and $508,876 in 2022. Pension expense for the year ended December 31, 2023 and 2022, including amortization was $466,633 and $602,531.

For the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 80 percent funded on January 1, 2023 and January 1, 2022, based on the PPA funding target and PPA actuarial value of assets on those dates.

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

Substantially all full-time employees participate in a 401(k) plan administered by NRECA. Participants are required to contribute at least 2% of their income and the Cooperative matches the contribution up to 4%. The amount expensed for the 401(k) match totaled $60,250 and $54,885 for the years ended December 31, 2023 and 2022, respectively.

16. Post-Retirement Benefits Other than Pensions

In addition to providing pension benefits, the Cooperative provides certain medical and dental insurance benefits for retired employees. The Cooperative has adopted *Accounting Standards Codification (ASC) 715*, *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 *ASC 980 – Regulated Operations*, 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.

JEFFERSON DAVIS ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

Disclosures for the plan for the years ended December 31, 2023 and 2022 are as follows:

	December 31, 2023	December 31, 2022
I) Funded Status at End of Year:		
APBO Balance	$ 8,259,636	$ 7,484,381
Fair Value of Plan Assets		
APBO in Excess of Plan Assets	$ 8,259,636	$ 7,484,381
II) Amounts Recognized in the Balance Sheet:		
Current Liability	$ 426,683	$ 404,021
Noncurrent Liability	7,832,953	7,080,360
Net Accumulated Post-Retirement Benefit Obligation	$ 8,259,636	$ 7,484,381
III) Deferred Acturarial (Gain) Loss, Beginning of Year	$ (193,479)	$ 853,960
Net Actuarial (Gain) Loss	559,303	(1,046,241)
Amortization of Actuarial Gain/(Loss)		(1,198)
Deferred Actuarial (Gain) Loss, End of Year	$ 365,824	$ (193,479)
IV) Net Periodic Benefit Cost:		
Service Cost	$ 213,442	$ 285,721
Interest Cost	354,018	260,927
Unrecorded Audit Adjustment		(191,071)
Amortization of Actuarial (Gain)/Loss		1,198
Post-Retirement Benefit Cost	$ 567,460	$ 356,775

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

Year	Annual Payments
2024	$ 426,683
2025	445,128
2026	462,263
2027	450,967
2028	458,582
2029-2033	2,066,227

Assumptions

The weighted-average rate assumptions used to determine net periodic benefit cost for the year ended December 31, 2023 and 2022 are as follows:

	2023	2022
Discount Rate	4.50%	5.00%
Healthcare Cost Trend for Next Year	6.30%	6.63%
Ultimate Healthcare Cost Trend	5.00%	5.00%
Year that the Rate Reaches the Ultimate Trend Rate	2028	2029

NOTES TO FINANCIAL STATEMENTS

17. Revenues from Contracts with Customers

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. 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 estimate for energy delivered since the latest billings. The Cooperative calculates the unbilled revenue estimate based upon the subsequent month's billing cycles and prorated based upon the number of days in each cycle and the number of days that relate to the prior period. The Cooperative has calculated that its unbilled revenue for delivered power usage which has not been billed to customers at December 31, 2023 and 2022 amounted to $2,892,788 and $2,593,680, respectively. The unbilled amount is presented as a current asset on the balance sheets.

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. Below is a disaggregated view of the Cooperative's revenues from contracts with customers.

	December 31, 2023	December 31, 2022
Member Electric Sales - Residential	$ 16,311,778	$ 14,701,150
Member Electric Sales - Irrigation	3,229,648	2,783,926
Member Electric Sales - Small Commercial	3,230,059	2,782,810
Member Electric Sales - Large Commercial	6,599,846	6,247,759
Member Electric Sales - Lighting	63,247	43,852
Member Electric Sales - Other	1,092,385	2,495,259
	$ 30,526,963	$ 29,054,756

18. Litigation and Commitments

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 purchasing all of its electric power from CLECO Cajun, 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 CLECO Cajun, LLC.

On July 15, 2021, the Cooperative entered into a full requirements power supply agreement with Nextera Energy Marketing, LLC. (Nextera) and the LPSC approved the power supply agreement during the year 2022. On November 23, 2022, finalized the full requirements power supply agreement with Nextera. The anticipated date the Cooperative will begin buying power from Nextera is the year 2025.

The Cooperative has signed contracts to build a 230KV transmission line and to connect Substations to the transmission line with remaining amounts owed on these contracts totaling $257,127,964. These contracts include; transmission, substations and engineering fees. The Cooperative is in the process of obtaining the needed easements to building the 230KV transmission line. FEMA has obligated funds totaling $266,071,749 to provide disaster relief assistance for the projects.

As of December 31, 2023 the Cooperative has an irrevocable letter of credit with CFC totaling $868,408.

18. Natural Disasters

The Cooperative experiences natural disasters on occasion and as a result requests funding from FEMA based on the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act). As part of the process of requesting funds from Federal Emergency Management Agency, the Cooperative must comply with the provisions of the Louisiana Homeland Security and Emergency Assistance and Disaster Act (Louisiana Disaster Act). Compliance with the Louisiana Disaster Act, is administered by Governor's Office of Homeland Security & Emergency Preparedness (GOHSEP). FEMA and GOHSEP are in the process of evaluating the funds obligated and some of the amounts submitted for reimbursement could be disallowed. Due to the destruction caused by the storm, the Cooperative was required to rent generators to be able to continue to provide power to members in its service territory. The Cooperative is expected to be reimbursed for the cost of renting the generators. Any cost incurred by the Cooperative not reimbursed by FEMA is expected to be collected through a rate rider or the wholesale power cost adjustment. Any rate rider will require approval by the LPSC.

Under Disaster declaration 1607, the Cooperative submitted eligible reimbursable cost totaling $81,154,151. Based on GOHSEP's review of allowable cost, the Cooperative was ordered to pay a total of $1,380,058 to be removed from a funding hold from GOHSEP. GOHSEP's review of the Cooperative's documentation, discovered an additional amount of disallowed funds totaling $7,307,771 of which $1,424,293 is currently under appeal from the Cooperative's attorney and consultants. The remaining amount of $5,883,478 will continue to be negotiated between the Cooperative's consultants and GOHSEP. Management anticipates that any amount that is to be paid or deducted from future claims to GOHSEP for Disaster declaration 1607's disallowed funds will result in the Cooperative seeking a rate rider relief through the LPSC.

20. Subsequent Events

Subsequent events have been evaluated through April 15, 2024, which is the date the financial statements were available to be issued.

COMPLIANCE AND INTERNAL CONTROL SECTION

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
PHONE: (806) 747-3806
FAX: (806) 747-3815
8215 NASHVILLE AVENUE
LUBBOCK, TEXAS 79423-1954

LETTER TO BOARD OF DIRECTORS REGARDING POLICIES CONCERNING AUDITS OF CFC BORROWERS

Board of Directors
Jefferson Davis Electric Cooperative, Inc.
Jennings, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Jefferson Davis Electric Cooperative, Inc. (the Cooperative), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Cooperative's financial statements and have issued my report thereon dated April 15, 2024.

In connection with our audit, nothing came to our attention that caused us to believe that the Cooperative failed to comply with the terms of Article V of the National Rural Utilities Cooperative Finance Corporation (CFC) Loan Agreement insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

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

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

April 15, 2024

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
PHONE: (806) 747-3806
FAX: (806) 747-3815
8215 NASHVILLE AVENUE
LUBBOCK, TEXAS 79423-1954

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

Board of Directors
Jefferson Davis Electric Cooperative, Inc.
Jennings, 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 Jefferson Davis Electric Cooperative, Inc. (the Cooperative), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Jefferson Davis Electric Cooperative, Inc.'s basic financial statements, and have issued our report thereon dated April 15, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Cooperative's internal control over financial reporting (internal control) as a basis for designing our audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cooperative's internal control.

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. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the following deficiency in internal controls to be a material weakness:

> During the audit, we noted that the Cooperative is closing work orders to incorrect assembly units for all five of the work orders we tested as part of our standard work order procedures. While all of the cost in the work order appear to be construction related, the work order cost is being allocated to the assembly units incorrectly.

The incorrect allocation of cost can impact the rates that the members are paying the cooperative. We recommend that the Cooperative review all of the assembly units and correct any assembly units found to be in error. Prior to closing any additional work orders, the Cooperative should verify that the as-built staking sheet and the work order closing unitization process match one another.

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. We consider the following deficiency in internal controls to be a significant deficiency:

During the audit, we noted that the Cooperative is not properly writing off accounts receivable as bad debts in the UPN software. Rather than writing off the accounts that are approved by the Board of Directors, the Cooperative is sending those accounts to collections thus leaving the balances on the accounts receivable aging report. We recommend that when the board approves accounts for write off that the accounts are written off. Even though, the bad debt will continue to be sent to collections, the amount will not appear on the aging report. When a payment on a bad debt is received, the amount will be posted against the bad debt.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

April 15, 2024