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

**CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

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

**CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

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CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Dixie Electric Membership Corporation and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of operations and patronage capital, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Dixie Electric Membership Corporation and Subsidiaries as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cooperative's ability to continue as a going concern for a reasonable period of time.

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

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Cooperative's consolidated financial statements as a whole. The consolidating financial is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements.

The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating financial information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2025 on our consideration of the Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Dixie Electric Membership Corporation and Subsidiaries' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cooperative's internal control over financial reporting and compliance.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

April 9, 2025

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

Exhibit A

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2024 AND 2023

ASSETS

	December 31,	
	2024	2023
UTILITY PLANT		
Electric Plant in Service	\$ 821,494,340	\$ 788,877,260
Other Fixed Assets	1,864,537	1,810,497
Right of Use Lease Assets	246,112	198,557
Construction Work in Progress	21,125,193	31,276,619
	<u>\$ 844,730,182</u>	<u>\$ 822,162,933</u>
Less: Accumulated Provision for Depreciation	217,789,252	213,957,189
Total Utility Plant, Net	<u>\$ 626,940,930</u>	<u>\$ 608,205,744</u>
INVESTMENTS AND OTHER ASSETS		
Investments in Associated Organizations	\$ 12,854,845	\$ 11,273,813
Notes Receivable, Long-Term Portion	52,570	57,994
	<u>\$ 12,907,415</u>	<u>\$ 11,331,807</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 215,801	\$ 6,597,186
Notes Receivable, Current Portion	80,673	110,136
Accounts Receivable		
Consumers, net of allowance of \$839,709 in 2024 and \$590,935 in 2023	14,212,320	14,102,384
FEMA, net of allowance of \$0 in 2024 and \$0 in 2023	15,801,332	19,877,285
Other Receivables, net of allowance of \$849,956 in 2024 and \$535,687 in 2023	4,215,534	3,155,947
Unbilled Revenue	15,444,525	14,483,522
Under-Collected Purchase Power Cost Adjustment	890,564	
Materials and Supplies	10,018,153	8,913,442
Other Current and Accrued Assets	3,543,215	2,226,278
	<u>\$ 64,422,117</u>	<u>\$ 69,466,180</u>
DEFERRED CHARGES		
Deferred Charges	\$ 29,001,469	\$ 22,884,152
Deferred Income Tax Asset		39,896
	<u>\$ 29,001,469</u>	<u>\$ 22,924,048</u>
TOTAL ASSETS	<u>\$ 733,271,931</u>	<u>\$ 711,927,779</u>

EQUITIES AND LIABILITIES

EQUITIES		
Memberships	\$ 340,720	\$ 356,040
Patronage Capital	106,666,783	111,914,061
Other Equities	15,772,210	7,405,035
	<u>\$ 122,779,713</u>	<u>\$ 119,675,136</u>
LONG-TERM DEBT		
Notes Payable, Less Current Maturities	\$ 466,939,450	\$ 456,034,413
Financing Lease Obligations, Less Current Maturities	1,632,470	360,717
Operating Right of Use Lease Obligations, Less Current Maturities	59,078	119,508
Deferred Interest - RUS Notes		5,691
	<u>\$ 468,630,998</u>	<u>\$ 456,520,329</u>
NON-CURRENT LIABILITIES		
Post-Retirement Benefit Obligation, Less Current Maturities	\$ 20,491,297	\$ 19,171,078
CURRENT LIABILITIES		
Current Maturities of Notes Payable	\$ 17,673,353	\$ 19,068,831
Current Maturities of Finance Lease Obligations	565,367	76,864
Current Maturities of Right of Use Lease Obligations	61,003	79,049
Current Maturities of Post-Retirement Benefit Obligation	1,237,827	1,141,256
Lines of Credit	59,071,376	52,761,575
Accounts Payable - Purchased Power	11,464,931	10,753,146
Accounts Payable - Other	7,601,160	6,032,545
Over-Collected Purchase Power Cost Adjustment		809,192
Consumer Deposits	9,310,675	9,282,409
Accrued Taxes	760,187	639,986
Accrued Interest	616,109	3,577,997
Other Current and Accrued Liabilities	2,210,607	1,740,515
	<u>\$ 110,572,595</u>	<u>\$ 105,963,365</u>
DEFERRED CREDITS	<u>\$ 10,797,328</u>	<u>\$ 10,597,871</u>
TOTAL EQUITIES AND LIABILITIES	<u>\$ 733,271,931</u>	<u>\$ 711,927,779</u>

See accompanying notes to the consolidated financial statements.

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

Exhibit B

**CONSOLIDATED STATEMENTS OF OPERATIONS AND PATRONAGE CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

	December 31,				
	2024		2023		
	Amount	%	Amount	%	Increase (Decrease)
OPERATING REVENUES					
Residential	\$ 209,018,191	76.9	\$ 194,406,188	76.5	\$ 14,612,003
Commercial and Industrial - Small	25,429,449	9.3	23,395,966	9.2	2,033,483
Commercial and Industrial - Large	29,496,154	10.8	28,033,013	11.0	1,463,141
Public Street & Highway Lighting	308,009	0.1	248,078	0.1	59,931
Other Sales to Public Authorities	1,615,621	0.6	1,390,700	0.5	224,921
Rent from Electric and Other Property	1,692,149	0.6	1,733,610	0.7	(41,461)
Other Revenue	4,673,313	1.7	5,188,873	2.0	(515,560)
Total Operating Revenues	\$ 272,232,886	100.0	\$ 254,396,428	100.0	\$ 17,836,458
OPERATING EXPENSES					
Purchased Power	\$ 153,173,062	56.3	\$ 147,941,102	58.2	\$ 5,231,960
Cost of Sales		0.0	2,395	0.0	(2,395)
Transmission - Operation	648,414	0.2	685,473	0.3	(37,059)
Transmission - Maintenance	347,344	0.1	283,494	0.1	63,850
Distribution - Operation	7,854,408	2.9	7,980,652	3.1	(126,244)
Distribution - Maintenance	26,537,432	9.7	26,062,402	10.2	475,030
Consumer Accounts	8,566,418	3.1	6,219,734	2.4	2,346,684
Customer Service and Information	281,178	0.1	245,552	0.1	35,626
Selling Expenses	1,065,940	0.4	971,884	0.4	94,056
Administrative and General Expenses	19,434,683	7.1	16,301,378	6.4	3,133,305
Depreciation	26,306,876	9.7	24,990,377	9.8	1,316,499
Taxes and Penalties	6,620,561	2.4	7,009,008	2.8	(388,447)
Other Expenses	229,760	0.1	385,938	0.2	(156,178)
Total Operating Expenses	\$ 251,066,076	92.1	\$ 239,079,389	94.0	\$ 11,986,687
OPERATING MARGINS - BEFORE FIXED CHARGES					
	\$ 21,166,810	7.9	\$ 15,317,039	6.0	\$ 5,849,771
FIXED CHARGES					
Interest on Long-Term Debt	\$ 16,328,150	6.0	\$ 14,678,329	5.8	\$ 1,649,821
Amortization on Reacquired Debt	12,731	0.0	12,768	0.0	(37)
Other Interest	2,023,370	0.7	1,634,227	0.6	389,143
Total Fixed Charges	\$ 18,364,251	6.7	\$ 16,325,324	6.4	\$ 2,038,927
OPERATING MARGINS (DEFICITS) - AFTER FIXED CHARGES					
	\$ 2,802,559	1.9	\$ (1,008,285)	0.2	\$ 3,810,844
Other Capital Credits	2,467,492	0.9	1,303,386	0.5	1,164,106
NET OPERATING MARGINS					
	\$ 5,270,051	2.8	\$ 295,101	0.7	\$ 4,974,950
NONOPERATING MARGINS					
Interest Income	\$ 301,267	0.1	\$ 213,061	0.1	\$ 88,206
Other Income (Loss)	205,009	0.1	(40,478)	0.0	245,487
Grant Income	14,340	0.0	33,494	0.0	(19,154)
Total Nonoperating Margins	\$ 520,616	0.2	\$ 206,077	0.1	\$ 314,539
NET MARGINS BEFORE PROVISION FOR INCOME TAXES					
	\$ 5,790,667	3.0	\$ 501,178	0.8	\$ 5,289,489
PROVISION FOR INCOME TAX EXPENSE					
Current	\$ (119,003)	0.0	\$ (27,286)	0.0	\$ (91,717)
Deferred - State		0.0	(12,155)	0.0	12,155
Deferred - Federal	(39,896)	0.0	(62,289)	0.0	22,393
Total Provision for Income Tax Expense	\$ (158,899)	0.0	\$ (101,730)	0.0	\$ (57,169)
NET MARGINS					
	\$ 5,631,768	3.0	\$ 399,448	0.8	\$ 5,232,320
PATRONAGE CAPITAL - BEGINNING OF YEAR					
	111,914,061		111,914,061		
Offset Prior Losses With Operating Margins	(4,972,387)				
Special Bad Debt Equity Retirement	(5,247,278)				
Transfer Nonoperating Margins to Other Equities	(514,534)		(172,583)		
Transfer Subsidiary Margins to Other Equities	(144,847)		(290,675)		
Transfer Current Year Operating Deficit to Other Equities			63,810		
PATRONAGE CAPITAL - END OF YEAR					
	\$ 106,666,783		\$ 111,914,061		

See accompanying notes to the consolidated financial statements.

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

Exhibit C

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	December 31,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Margins	\$ 5,631,768	\$ 399,448
Adjustments to Reconcile Net Margins to Net Cash From Operating Activities		
Depreciation	28,215,350	26,451,889
Forgiveness of Debt		(20,465)
Capital Credits	(1,741,395)	(820,021)
(Increase) Decrease:		
Accounts Receivable	(2,621,808)	(236,196)
Accounts Receivable - Other	(1,059,587)	778,541
Unbilled Revenue	(961,002)	2,695,914
Under-Collected Purchased Power Cost Adjustment	(1,699,756)	
Inventories and Other Current Assets	(2,421,648)	(970,781)
Deferred Charges	(3,559,271)	(1,896,299)
Deferred Income Taxes	39,896	74,444
Increase (Decrease):		
Accounts Payable and Other Accrued Liabilities	(774,713)	(130,084)
Accounts Payable - Purchased Power	711,785	(22,789,671)
Over-Collected Purchased Power Cost Adjustment		8,522,092
Deferred Credits	199,457	1,892,591
Net Cash From Operating Activities	\$ 19,959,076	\$ 13,951,402
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Plant	\$ (38,773,761)	\$ (4,327,528)
Plant Removal Costs Over Salvage and Other Credits	(6,062,507)	(5,624,018)
Accounts Receivable - FEMA Disaster Grants	4,075,953	(10,543,619)
Other Property and Investments	160,363	224,173
Net (Advances) Payments - Notes Receivable	34,887	102,174
Net Cash From Investing Activities	\$ (40,565,065)	\$ (20,168,818)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt - RUS	\$ (2,215,364)	\$ (2,708,691)
Payments on Long-Term Debt - FFB	(14,072,721)	(9,766,624)
Payments on Long-Term Debt - CoBank	(928,435)	(1,480,404)
Payments on Long-Term Debt - CFC	(2,246,741)	(2,068,899)
Payments on Long-Term Debt - Other	(1,145,590)	(1,244,472)
Payments on Lease Obligations	(432,488)	(8,839)
Advances of Long-Term Debt - FFB	26,377,650	56,548,000
Advances of Long-Term Debt - CFC	2,537,956	1,662,044
Advances of Long-Term Debt - SCPDC	55,856	
Net Advances (Payments) - Line of Credit	6,309,801	(35,731,504)
Memberships and Other Equities	(15,320)	(18,585)
Net Cash From Financing Activities	\$ 14,224,604	\$ 5,182,026
CHANGE IN CASH AND CASH EQUIVALENTS	\$ (6,381,385)	\$ (1,035,390)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>6,597,186</u>	<u>7,632,576</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 215,801</u>	<u>\$ 6,597,186</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest	\$ 17,720,538	\$ 16,511,129
Income Taxes	\$ 3,685	\$ 4,800
SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION		
Assets Obtained Through Finance Leases	\$ 2,066,712	\$ 446,420
Assets Obtained Through Operating Right of Use Leases	\$ 47,556	\$ 198,557
Patronage Capital Retired by Non-Cash Discounting	\$ 5,247,278	\$ 0

See accompanying notes to the consolidated financial statements.

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Dixie Electric Membership Corporation (DEMCO) is an electric distribution cooperative. Its principal business activity is providing electric power to over 115,000 consumer accounts throughout seven parishes. DEMCO is subject to the jurisdiction of the Louisiana Public Service Commission (LPSC) for rate-setting.

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

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

Principles of Consolidations

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

System of Accounts

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

Use of Estimates in the Preparation of Consolidated Financial Statements

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

Cash Equivalents

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

Accounts Receivable and Allowance for Credit Losses

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

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	December 31,	
	2024	2023
Balance, Beginning of Year	\$ 590,935	\$ 2,400,685
Accruals for Credit Losses	672,239	(1,846,430)
Write-Offs	(3,063,486)	(6,876)
Recoveries and Other Adjustments	2,640,020	43,556
Balance, End of Year	<u>\$ 839,709</u>	<u>\$ 590,935</u>

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

	December 31,	
	2024	2023
Balance, Beginning of Year	\$ 535,687	\$ 0
Accruals for Credit Losses	314,269	535,687
Balance, End of Year	<u>\$ 849,956</u>	<u>\$ 535,687</u>

During the year management makes an evaluation of past due accounts to determine collectability. The accounts deemed uncollectible are written off upon approval by the Board of Directors.

Materials and Supplies

Materials and supplies inventories are valued at average unit cost.

Electric Plant, Maintenance, and Depreciation

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

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

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

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Patronage Capital Certificates

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

Electric Revenues from Contracts with Customers

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

Substantially all operating revenues and customer accounts receivables are derived from contracts with customers. Performance obligations related to the sale of energy are satisfied as energy is delivered to customers. The Cooperative recognizes revenue that corresponds to the price of the energy delivered to the customer. The measurement of energy sales to customers is generally based on the reading of their meters, which occurs on a systematic basis throughout the month. At the end of each month, amounts of energy delivered to customers since the date of the last meter reading are estimated, and the corresponding unbilled revenue is recognized. The Cooperative has calculated that its unbilled revenue for delivered power usage which has not been billed to be \$15,444,525 and \$14,483,522, respectively. The Cooperative's tariffs for electric service include purchased power adjustment clauses under which billings to members are adjusted to reflect changes in the cost of fuel and purchased power as approved by the LPSC. In order to match power costs and related revenues, under-collected power cost to be billed to consumers in subsequent periods is recognized as a current asset and as an increase of classified operating revenues on the consolidated statements of operations and patronage capital. Over-collected power cost to be returned to consumers in subsequent periods is recognized as a current liability and as a decrease of classified operating revenues on the consolidated statements of income, and patronage capital. As of December 31, 2024 and 2023 the Cooperative had under (over)-collected power cost of \$890,564 and (\$809,192), respectively.

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

Group Concentrations of Credit Risk

The Cooperative may require a deposit from its members upon connection which is applied to unpaid bills and fees in the event of default. Interest is accrued on the deposited funds while it is held by the Cooperative. As of December 31, 2024 and 2023, deposits on hand totaled \$9,310,675 and \$9,282,409, respectively.

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

As of December 31, 2024, 68% of the Cooperative's 271 employees work under a collectible bargaining agreement. Those employees are represented by the International Brotherhood of Electrical Workers Local 767 whose existing labor agreement expires on February 28, 2027.

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Advertising

Advertising costs, which are included in operating expenses, are expensed as incurred. Advertising expense was \$1,065,940 and \$971,884 for the years ended December 31, 2024 and 2023, respectively.

Regulation

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

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

2. Assets Pledged

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

3. Utility Plant

Utility plant consists of the following:

	December 31,	
	2024	2023
Transmission and Distribution Plant	\$ 756,940,381	\$ 732,931,658
General Plant	64,553,959	55,945,602
Other Fixed Assets	1,864,537	1,810,497
Right of Use Lease Assets	246,112	198,557
	<u>\$ 823,604,989</u>	<u>\$ 790,886,314</u>
Construction Work in Progress	21,125,193	31,276,619
Total Utility Plant	<u>\$ 844,730,182</u>	<u>\$ 822,162,933</u>

Net utility plant includes Federal Emergency Management Agency (FEMA) projects for which work has been approved but not obligated.

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Average annual composite rates of depreciation are as follows:

	December 31,	
	2024	2023
Transmission Plant	2.75%	2.75%
Distribution Plant	2.16% to 4.40%	2.16% to 4.40%
Distribution Plant Meters	3.40% to 10.00%	3.40% to 10.00%
General Plant		
Structures and Improvements	2.00% to 6.00%	2.00% to 6.00%
Power Operated Equipment	6.00% to 14.00%	6.00% to 14.00%
Transportation Equipment	16.00%	16.00%
Other	6.00% to 20.00%	6.00% to 20.00%

Depreciation for the years ended December 31, 2024 and 2023 was \$28,215,350 and \$26,451,889, respectively, of which \$26,306,876 and \$24,990,377 was charged to depreciation expense, and \$1,908,474 and \$1,461,512 allocated to other accounts.

4. Investments in Associated Organizations

Investments in Associated Organizations consist of the following:

	December 31,	
	2024	2023
Capital Term Certificates		
National Rural Utilities Cooperative Finance Corporation	\$ 3,426,389	\$ 3,445,931
Patronage Capital		
National Rural Utilities Cooperative Finance Corporation	4,164,941	4,218,244
Meridian Cooperative, Inc.	494,846	497,474
CoBank, ACB	1,616,680	1,465,648
Gresco Utility Supply, Inc.	1,131,346	772,894
National Rural Telecommunications Cooperative, Inc.	40,647	40,647
Federated Insurance	753,390	717,557
National Information Solutions Cooperative, Inc.	66,165	44,973
Arkansas Electric Cooperative	1,127,053	38,757
Other	16,488	14,788
Memberships		
Other	16,900	16,900
	<u>\$ 12,854,845</u>	<u>\$ 11,273,813</u>

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Notes Receivable

Notes Receivable consist of the following:

	December 31,	
	2024	2023
Construction Notes Receivable	\$ 133,243	\$ 158,310
Promissory Notes Receivable - Arrangements		9,820
Less: Notes Receivable, Current Portion	(80,673)	(110,136)
Notes Receivable, Long-Term Portion	<u>\$ 52,570</u>	<u>\$ 57,994</u>

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

2025	\$ 80,673
2026	36,370
2027	14,545
2028	1,655
	<u>\$ 133,243</u>

6. Other Receivables

Other Receivables consist of the following:

	December 31,	
	2024	2023
Pole Attachments	\$ 1,496,028	\$ 1,353,972
Mutual Aid Assistance	960,783	443,866
Contributions for Construction	680,341	327,150
Developer Penalties	1,699,912	1,071,374
Bond Claims		361,570
DEMCO Foundation	147,372	61,821
Miscellaneous	<u>81,054</u>	<u>71,881</u>
	\$ 5,065,490	\$ 3,691,634
Less: Allowance for Credit Losses	<u>849,956</u>	<u>535,687</u>
	<u>\$ 4,215,534</u>	<u>\$ 3,155,947</u>

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Materials and Supplies

Materials and Supplies consist of the following:

	December 31,	
	2024	2023
Construction Materials and Supplies	\$ 9,876,014	\$ 8,692,503
Minor Construction Materials and Supplies	10,811	23,013
Vehicle Parts	131,328	197,926
	<u>\$ 10,018,153</u>	<u>\$ 8,913,442</u>

8. Deferred Charges

Deferred Charges consist of the following:

	December 31,	
	2024	2023
Unamortized Conversion Fee	\$ 95,563	\$ 108,294
Post-Retirement Benefits	16,326,445	14,909,655
Pension Prepayment	3,048,184	3,628,790
Regulatory Asset - Storm Costs	9,442,851	4,202,639
Other	88,426	34,774
	<u>\$ 29,001,469</u>	<u>\$ 22,884,152</u>

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

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

	December 31,	
	2024	2023
Original Amount	\$ 5,265,487	\$ 5,265,487
Accumulated Amortization	(5,169,924)	(5,157,193)
Net Book Value	<u>\$ 95,563</u>	<u>\$ 108,294</u>

Amortization expense was \$12,731 and \$12,768 for the years ended December 31, 2024 and 2023, respectively.

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Future expected amortization of the conversion fees is as follows:

2025	\$	12,349
2026		12,349
2027		12,349
2028		12,349
2029		12,349
Thereafter		<u>33,817</u>
	\$	<u><u>95,562</u></u>

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

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

	December 31,	
	2024	2023
Original Amount	\$ 9,870,308	\$ 9,870,308
Accumulated Amortization	<u>(6,822,124)</u>	<u>(6,241,518)</u>
Net Book Value	<u>\$ 3,048,184</u>	<u>\$ 3,628,790</u>

Amortization expense related to the pension prepayment was \$580,606 and \$580,606 for the years ended December 31, 2024 and 2023, respectively. Future expected amortization is as follows:

2025	\$	580,606
2026		580,606
2027		580,606
2028		580,606
2029		580,606
Thereafter		<u>145,154</u>
	\$	<u><u>3,048,184</u></u>

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

On August 29, 2021, Hurricane Ida (DR-4611) struck the Louisiana Gulf Coast and heavily impacted the Cooperative's service territory. The Cooperative suffered extensive damage to its' electric plant in service. As a result, the Cooperative obtained an emergency line of credit to cover the costs of repairing its electric system and restoring power to its members. As a result, the Cooperative has incurred interest expense on the emergency line of credit totaling \$437,083 during 2022, \$3,765,556 during 2023 and \$1,798,818 during 2024. Additionally, the Cooperative has a dead tree project in process associated with Hurricane Ida. Some of the cost for the project are being charged to the storm cost regulatory asset. Amounts for the storm cost regulatory asset through December 31, 2024 are \$33,929. The Cooperative is working with FEMA to have funds obligated in phases.

On September 11, 2024, Hurricane Francine (DR-4817) struck the Louisiana Gulf Coast and heavily impacted the Cooperative's service territory. The Cooperative suffered extensive damage to its' electric plant in service. The Cooperative utilized its existing emergency line of credit to cover the costs of repairing its electric system and restoring power to its members. As a result, the Cooperative has incurred FEMA 75% reimbursable restoration cost and interest expense on the emergency line of credit totaling \$3,385,777 and \$21,688, respectively.

As of December 31, 2024, the Cooperative anticipates recovery of the Hurricane storm costs through either FEMA reimbursement, a formula rate plan, or a storm rider to be implemented at a later date.

9. Patronage Capital

Patronage capital consist of the following:

	December 31,	
	2024	2023
Assigned to Date	\$ 105,708,399	\$ 105,708,399
Operating Margins - Prior Years	6,205,662	6,205,662
	\$ 111,914,061	\$ 111,914,061
Less: Special Bad Debt Equity Retirement	5,247,278	
	<u>\$ 106,666,783</u>	<u>\$ 111,914,061</u>

10. Return of Capital

The equities and margins of the Cooperative represent 16.74% of the total assets at the balance sheet date. Under the provisions of the Mortgage Agreement, the Cooperative shall not, without written approval of RUS and National Rural Utilities Cooperative Finance Corporation, make any capital credit retirements to members or consumers, provided that the borrower may make capital credit retirements to estates of deceased patrons to the extent required or permitted by its articles of incorporation and bylaws so long as such capital credit retirements shall not in any year exceed 25 percent of the patronage capital and margins received by the borrower in the preceding year. The Cooperative's Board of Directors approved a special bad debt equity retirement totaling \$5,247,278 to recover previously written off bad debts. No patronage capital was retired for the years ended December 31, 2024 and 2023, respectively.

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Other Equities

Other Equities consist of the following:

	December 31,	
	2024	2023
Subsidiary Margins	\$ 1,021,667	\$ 876,820
Other Nonoperating Income	12,071,293	11,556,759
Special Bad Debt Equity Retirements - Discounts	2,735,407	
Operating Deficits	(56,157)	(5,028,544)
	<u>\$ 15,772,210</u>	<u>\$ 7,405,035</u>

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

12. Lines of Credit

Lines of credit consist of the following:

	December 31,	
	2024	2023
As of December 31, 2024, the Cooperative had three lines of credit facilities totaling \$63,804,684 with the National Rural Utilities Cooperative Finance Corporation (NRUCFC) at variable interest rates. The lines of credit mature on November 18, 2025, January 22, 2025, and September 24, 2025, respectively. As of December 31, 2023, the Cooperative has two lines of credit facilities totaling \$68,424,199 with the National Rural Utilities Cooperative Finance Corporation (NRUCFC) at variable interest rates.	\$ 42,101,120	\$ 33,505,474
As of December 31, 2024, the Cooperative had an unsecured \$40,000,000 line of credit with CoBank at a variable interest rate. The line of credit matures September 30, 2025. As of December 31, 2024, the Cooperative had an uncommitted \$12,000,000 revolving line of credit with CoBank at a variable interest rate. As of December 31, 2023, the Cooperative had an unsecured \$30,000,000 line of credit with CoBank at a variable interest rate.	16,970,256	19,256,101
The Cooperative has an unsecured \$5,000,000 line of credit with Red River Bank. The interest rate on the line of credit is variable and of differing amounts as of December 31, 2024 and 2023, respectively. The line of credit matures annually in February and is automatically renewed.	<u>\$ 59,071,376</u>	<u>\$ 52,761,575</u>

Subsequent to December 31, 2024, the Cooperative renewed a \$10,000,000 line of credit with CFC and the \$5,000,000 line of credit with Red River Bank.

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Notes Payable

Notes Payable consist of the following:

	December 31,	
	2024	2023
Rural Utilities Service, 3.63% to 5.18% mortgage notes, with a maturity date of October 2040.	\$ 51,651,230	\$ 53,860,903
National Rural Utilities Cooperative Finance Corporation, mortgage notes at variable and fixed interest rates ranging from 2.30% to 6.51%, with maturity dates ranging from May 2030 through November 2038.	21,970,165	21,678,951
Federal Financing Bank loans with interest ranging from 2.28% to 3.55% maturing January 2045. These notes are guaranteed by the USDA Rural Utilities Service.	107,704,750	112,547,734
Federal Financing Bank loans with interest ranging from 2.11% to 3.28% maturing December 2048. These notes are guaranteed by the USDA Rural Utilities Service.	168,082,869	174,176,640
Federal Financing Bank loans with interest ranging from 1.88% to 4.55% maturing January 2050. These notes are guaranteed by the USDA Rural Utilities Service.	119,529,652	96,287,967
CoBank loan with an interest rate of 4.10% with a maturity date of September 2037.	15,614,383	16,542,817
Note Payable to South Central Planning and Development Commission, Inc. The note is interest free for 24 months and carries and interest rate of 4.00% for the remaining 36 months. This note matures in January 2026.	3,897	8,232
Note Payable to South Central Planning and Development Commission, Inc. The note is interest free for 84 months and payable in monthly installments of approximately \$399. After 84 months, if the Forgiveness Requirements are met, the remaining balance on the loan will be forgiven. If not, the remaining debt will become due at that date.	55,857	
	\$ 484,612,803	\$ 475,103,244
Less: Current Maturities of Notes Payable	17,673,353	19,068,831
Notes Payable, Less Current Maturities	\$ 466,939,450	\$ 456,034,413

As of December 31, 2024, the Cooperative has \$2,048,454 available for loan advance from FFB.

The Cooperative is in the process of obtaining LPSC and Board of Directors approvals for a loan from RUS totaling \$236,612,000.

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Annual future maturities of notes payable as of December 31, 2024 are as follows:

	CFC	FFB	RUS	CoBank	SCPD	Total
2025	\$ 2,321,702	\$ 12,087,870	\$ 2,303,939	\$ 952,433	\$ 7,409	\$ 17,673,353
2026	2,409,353	12,451,467	2,412,897	992,176	4,867	18,270,760
2027	2,500,780	9,607,136	2,527,036	1,033,577	4,788	15,673,317
2028	2,596,165	13,046,758	2,646,374	1,076,705	4,788	19,370,790
2029	2,695,701	16,992,980	2,771,848	1,121,634	4,788	23,586,951
Thereafter	9,446,464	331,131,060	38,989,136	10,437,858	33,114	390,037,632
	<u>\$ 21,970,165</u>	<u>\$ 395,317,271</u>	<u>\$ 51,651,230</u>	<u>\$ 15,614,383</u>	<u>\$ 59,754</u>	<u>\$ 484,612,803</u>

14. Leasing Activities

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

	December 31,	
	2024	2023
Operating Leases		
Operating Lease Right of Use Assets	\$ 246,112	\$ 198,557
Accumulated Depreciation	126,031	
Right of Use Lease Assets, net	<u>\$ 120,081</u>	<u>\$ 198,557</u>
Current Maturities of Right of Use Lease Obligations	\$ 61,003	\$ 79,049
Operating Right of Use Lease Obligations	59,078	119,508
Total Operating Lease Liabilities	<u>\$ 120,081</u>	<u>\$ 198,557</u>
Finance Leases		
Transportation Equipment	\$ 2,560,143	\$ 446,420
Accumulated Depreciation	413,107	7,440
Electric Plant in Service, net	<u>\$ 2,147,036</u>	<u>\$ 438,980</u>
Current Maturities of Finance Lease Obligations	\$ 565,367	\$ 76,864
Financing Lease Obligations	1,632,470	360,717
Total Finance Lease Liabilities	<u>\$ 2,197,837</u>	<u>\$ 437,581</u>

During the year ended December 31, 2024 the Cooperative executed financing lease agreements for ten bucket trucks and a digger derrick truck. The leases have a 60 month term and have implicit interest rates of 7.25%. The Cooperative used their implicit borrowing rate on debt with similar terms. The finance leases are included with Utility Plant in Service on the balance sheets.

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The following summarizes the weighted average remaining lease term:

	December 31,	
	2024	2023
Weighted Average Remaining Lease Term		
Operating Leases	2 years	3 years
Finance Leases	4 years	5 years

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

Year Ending December 31:	Operating	Finance
2025	\$ 66,000	\$ 701,928
2026	60,500	701,928
2027		701,928
2028		346,605
2029		34,648
Total Lease Payments	\$ 126,500	\$ 2,487,037
Less: Interest	6,419	289,200
Present Value of Lease Liabilities	\$ 120,081	\$ 2,197,837

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

	December 31,	
	2024	2023
Operating lease costs:		
Administrative and General	\$ 137,020	\$ 85,592
Finance lease costs:		
Amortization of lease assets included in transportation clearing account	\$ 405,667	\$ 7,440
Interest on lease liabilities included in transportation clearing account	116,409	
Total finance lease costs	\$ 405,667	\$ 7,440

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Income Taxes

The Cooperative is exempt from federal income taxes under Section 501(c)(12) of the Internal Revenue Code provided that at least 85% of its revenue is derived from members for the sole purpose of meeting losses and expenses. For the years ended December 31, 2024 and 2023, the Cooperative qualified for exemption. Additionally, the Cooperative pays income tax on net unrelated business income.

DESI is a single member limited liability company that has elected to be taxed as a corporation under the Internal Revenue Code (IRC). The State of Louisiana also recognizes this election. Therefore, DESI files corporate income tax returns for both federal and state income tax reporting purposes. However, effective December 31, 2024, DESI elected to become a disregarded entity (i.e. division) of the Cooperative for both federal and state income tax reporting purposes. For tax years beginning after December 31, 2024, all business activities of DESI will be included in the applicable tax return filings of the Cooperative.

As of December 31, 2024, DESI has net operating losses (NOLs) for the State of Louisiana available to offset future sources of taxable income in the amount of \$1,033,696. The state NOL carry forward period is indefinite but the amount utilized on an annual basis is limited to 72% of taxable income of such year.

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

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

Deferred income taxes result from transactions which enter into the determination of taxable income in different periods than recorded for financial reporting purposes. These differences represent future tax return consequences (increases and decreases in taxable income) when deferred tax assets and liabilities are recovered, realized or settled. Through the year ended December 31, 2024, DESI's principal sources of deferred federal and state income taxes are NOL carryovers and accelerated depreciation used for tax purposes. Subsequent to becoming a disregarded entity of the Cooperative, it is anticipated that the state NOL carryover remaining will not be utilized. Therefore, a valuation allowance for the related deferred tax asset has been recorded.

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	December 31,	
	2024	2023
Operating Loss Carryforward	\$ 56,854	\$ 70,972
Operating Loss Carryforward - Valuation Allowance	(56,854)	
Depreciation		(31,076)
	<u>\$ 0</u>	<u>\$ 39,896</u>

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

	December 31,	
	2024	2023
Current Income Tax Expense	\$ (119,003)	\$ (27,286)
Provision for Deferred Income Tax Expense	16,958	(74,444)
Provision for Deferred Income Tax Expense - Increase in Valuation Allowance	(56,854)	
Total Income Tax Expense	<u>\$ (158,899)</u>	<u>\$ (101,730)</u>

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

The Cooperative files its income tax return in the U.S. federal jurisdiction. DESI files its income tax return in the U.S. federal jurisdiction and in the State of Louisiana. The companies are no longer subject to income tax examination by U.S. federal jurisdiction and by the state taxing authorities for the years before 2021. The companies also recognize interest expense and penalties in operating expenses. There were no material amounts of penalties or interest recognized during the years ended December 31, 2024 and 2023.

16. Pension Benefits

Narrative Description

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

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Plan Information

The Cooperative's contributions to the RS Plan in 2024 and 2023 represented less than five percent of the total contributions made to the RS Plan by all participating employers. The Cooperative made contributions to the RS Plan of \$5,606,075 in 2024 and \$4,947,168 in 2023. There have been no significant changes that affect the comparability of 2024 and 2023 contributions. Pension expense for the years ended December 31, 2024 and 2023, including amortization, was \$6,186,681 and \$5,527,774, respectively.

For the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the Retirement Security Plan was over 80% funded on January 1, 2024 and at January 1, 2023 based on the PPA funding target and PPA actuarial value of assets on those dates.

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

The employees also participate in a 401(k) plan, a defined contribution plan provided through National Rural Electric Cooperative Association. The Cooperative makes semi-monthly contributions to the plan matching up to three percent of an employee's salary. The cost for the Cooperative was \$684,436 and \$623,614 for the years ended December 31, 2024 and 2023, respectively.

17. Post-Retirement Benefits Other than Pensions

The Cooperative continues to fund benefit costs on a pay-as-you-go basis. The benefit provided by the Cooperative is certain health insurance coverage for retired employees. Substantially all of the Cooperative's employees may become eligible for these benefits if they reach normal retirement age while working for the Cooperative. Such benefits are provided through a self-insured plan, which has a stop loss of \$125,000 per claim. Effective January 1, 2025, the stop loss increases to \$150,000 per claim. The total claims and administrative fees paid, net of premiums collected, were \$713,694 and \$1,846,365 for 2024 and 2023, respectively.

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	December 31,	
	2024	2023
I) Funded Status at End of Year:		
APBO Balance	\$ (21,729,124)	\$ (20,312,334)
Fair Value of Plan Assets		
APBO in Excess of Plan Assets	\$ (21,729,124)	\$ (20,312,334)
II) Amounts Recognized in the Balance Sheets:		
Current Liability	\$ (1,237,827)	\$ (1,141,256)
Noncurrent Liability	(20,491,297)	(19,171,078)
Unrecognized Actuarial Loss - Deferred Charge	16,326,445	14,909,655
Net Accumulated Post-Retirement Benefit Obligation	\$ (5,402,679)	\$ (5,402,679)
III) Amounts Not Yet Recognized in Net Periodic Post-Retirement Benefit Cost		
Unrecognized Actuarial Loss	\$ 16,326,445	\$ 14,909,655
Net Prior Service Credit		
Deferred Charge - Unrecognized Actuarial Loss	\$ 16,326,445	\$ 14,909,655
IV) Net Periodic Benefit Cost - Recognized in Deferred Charges:		
Service Cost	\$ 474,634	\$ 464,346
Interest Cost	1,025,653	1,014,814
Actuarial Gain (Loss)	(83,497)	(14,601,876)
Net Periodic Benefit Cost - Deferred Charge	\$ 1,416,790	\$ (13,122,716)
V) Amounts Recognized in Deferred Charges:		
Estimated Premiums Paid by the Cooperative	\$ (1,141,256)	\$ (1,236,511)
VI) Amount Recognized in Statements of Income and Patronage Capital:		
Actual Premiums Expensed by the Cooperative	\$ 678,590	\$ 1,756,288

Economic Assumptions

The discount rate used to develop the accumulated post-retirement benefit obligation (APBO) was 6.05% and 5.35%, for the years ended December 31, 2024 and 2023, respectively. The assumed health care cost trend rates are as follows for 2024:

	Trend Rate	Declining to Over 5 Years
Pre-65 - Medical and Drug	8.00%	4.75%
Post-65 - Medical and Drug	21.90%	4.60%

The Cooperative has not funded plan assets as of December 31, 2024 and 2023.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

2025	\$ 1,237,827
2026	1,173,075
2027	1,218,274
2028	1,219,824
2029	1,212,349
2030 - 2034	6,586,039

18. Deferred Credits

Deferred Credits consist of the following:

	December 31,	
	2024	2023
Accrued Employee Compensated Absences	\$ 6,584,400	\$ 6,278,220
Economic Development Funds	10,900	13,650
LOA Payout		48,769
Unclaimed Property	225,843	226,466
Storm Costs - Regulatory Liability	3,866,140	3,928,520
Other	110,045	102,246
	<u>\$ 10,797,328</u>	<u>\$ 10,597,871</u>

The Cooperative has recorded contingent liabilities for anticipated disallowance of Federal Emergency Management Agency (FEMA) claims totaling \$3,866,140 and \$3,928,520 as of December 31, 2024 and 2023, respectively.

19. Self-Funded Health Insurance

The Cooperative is exposed to unpaid claims relating to its ongoing self-insurance program. Some of these types of claims may take a substantial amount of time to resolve and, accordingly, the ultimate liability associated with a particular claim, including claims incurred but not reported as of a period-end reporting date, may not be known for an extended period of time. The methodology for developing self-insurance reserves is based on management estimates and independent third-party actuarial estimates. The estimation process considers, among other matters, the cost of known claims over time, cost of inflation and incurred but not reported claims. These estimates may change based on, among other things, changes in claim history or receipt of additional information relevant to assessing the claims. Further, these estimates may prove to be inaccurate due to factors such as adverse judicial determinations or other claim settlements at higher than estimated amounts. Accordingly, the Cooperative may be required to increase or decrease its reserve levels.

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Effective January 1, 2014, the Cooperative became self-insured for medical claims. The claims reserves related to general liability and medical liability, which are included in "other current and accrued liabilities" in the consolidated balance sheets, totaled \$615,400 and \$508,000 at December 31, 2024 and 2023, respectively.

The Cooperative has established a self-insurance program covering medical benefits for substantially all of its employees. The Cooperative limits its losses through the use of stop-loss policies from reinsurers. Specific individual losses for claims are limited to \$125,000 a year. Effective January 1, 2025, the stop loss increases to \$150,000 per claim. For the year ended December 31, 2024, the Cooperative contributed \$4,749,969, paid administrative fees of \$1,005,377, collected reinsurance of \$1,022,996, and Employees and Retirees contributed \$1,059,879.

20. Related Party Transactions

The Cooperative collects voluntary contribution from customer billing and remits them to The DEMCO Foundation, Inc. (the Foundation), a related party through common management. DEMCO remitted \$321,739 and \$300,204 of contributions to the Foundation for the years ended December 31, 2024 and 2023, respectively. Included in other accounts receivable are services due from the Foundation of \$147,372 and \$61,821 as of December 31, 2024 and 2023, respectively.

21. Commitments, Contingencies and Litigation

The Cooperative is committed under a wholesale power agreement to purchase its electric power and energy requirements from NextEra Energy Marketing, LLC (NextEra) through December 31, 2033.

The Cooperative has a rate application in process with the LPSC. The amount of a rate adjustment, if any, is currently being negotiated and has yet to be determined.

The Cooperative is a litigant in several lawsuits. Management, on the advice of legal counsel, believes that such proceedings and contingencies will not have a material effect on the Cooperative. The ultimate outcome of these matters cannot presently be determined and no specific provision for any liability or asset that may result from the claims have been made in the consolidated financial statements.

22. Natural Disasters

The Cooperative experiences natural disasters on occasion and, as a result, requests funding from the Federal Emergency Management Agency (FEMA) based on the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act). As part of the process of requesting funds from FEMA, the Cooperative must comply with the provisions of the Louisiana Homeland Security and Emergency Assistance and Disaster Act (Louisiana Disaster Act). Compliance with the Louisiana Disaster Act is administered by the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP). GOHSEP is currently auditing the Cooperative's project worksheets for DR-1603 (Hurricane Katrina), DR-1786 (Hurricane Gustav), DR-4277 (2016 Flood), DR-4570 (Hurricane Delta), DR-4590 (Hurricane Uri), and DR-4611 (Hurricane Ida). Based on the Stafford Act and the Louisiana Disaster Act, GOHSEP has the responsibility as the recipient of FEMA funds to disallow ineligible expenditures during the course of their audits.

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

There are currently \$1,246,183 of project worksheets in the closeout process for Hurricane Katrina. During 2021, the Cooperative recorded a liability totaling \$1,494,231 due to the Cooperative's inability to fully provide GOHSEP with supporting documentation for the projects pending closeout. During 2023, GOHSEP applied payments from Hurricane Ida to Hurricane Katrina in order to remove the Cooperative from a hold position in an amount of \$45,178. After a further project closeout in 2024, the liability was able to be reduced to \$1,246,183. As of December 31, 2024 and 2023, the Cooperative has a contingent liability on the balance sheets totaling \$1,246,183. DEMCO will continue to work with GOHSEP in the remaining project closeouts to provide supporting documentation in an attempt to minimize closeout reductions.

There are currently \$10,941,254 of project worksheets in the closeout process for Hurricane Gustav of which \$10,941,254 has been paid to the Cooperative. During 2019, the Cooperative was notified by GOHSEP that a recouped amount of \$890,247 was due for DR-1786 Hurricane Gustav, Project Worksheet No. PW-2155. During 2021, the Cooperative was placed in a hold position and prohibited from receiving additional funds from GOHSEP unless \$265,000 was paid to GOHSEP. The Cooperative fulfilled GOHSEP's request along with recording an additional liability of \$1,055,707. The recorded liability represents amounts overpaid by GOHSEP. During 2022, GOHSEP requested an additional payment of \$72,666 related to DR-1786 PW-2836. This payment reduced the liability to \$983,041 as of December 31, 2022. During 2023, the Cooperative appealed claims denied by GOHSEP with the amount of the successful appeals totaling \$718,179. To remove the Cooperative from a hold position, GOHSEP also applied payments from Hurricane Ida toward Hurricane Gustav totaling \$583,890. Based on the Cooperative's estimate of total claims to be disallowed, the Cooperative accrued an additional amount of storm liability totaling \$2,565,529 bringing the total amount of the Gustav storm liability to \$2,246,501 as of December 31, 2023. After the completion of further project closeouts during 2024, the Hurricane Gustav liability was able to be reduced to \$1,558,994 as of December 31, 2024. The Cooperative will continue to work with GOHSEP on the remaining project closeouts to provide supporting documentation in an attempt to minimize closeout reductions.

The remaining liability amount net of closeout and payment activity from Hurricanes Katrina and Gustav of \$827,995 was reallocated to a Hurricane Ida contingent liability as of December 31, 2024. This included reallocated contingent liability amounts of \$202,868 and \$687,507 from Hurricanes Katrina and Gustav, respectively. The remaining liability also includes \$62,380 of payments received by the Cooperative from GOHSEP during 2024.

During October 2020, Southern Louisiana suffered considerable damage from Hurricane Delta; resulting in the President of the United States issuing a major disaster declaration (DR-4570) for 15 parishes, which include all parishes in the Cooperative's service territory. As of December 31, 2024, the Cooperative had a receivable from FEMA totaling \$222,866 and \$616,991 as of December 31, 2023. Based on accounting guidance, and historical experience the Cooperative recorded an additional contingent liability related to this disaster in the amount of \$147,448 and \$147,448 as of December 31, 2024 and 2023, respectively.

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

During February 2021, Southern Louisiana suffered considerable damage from Winter Storm Uri; resulting in the President of the United States issuing a major disaster declaration (DR-4590) for twenty-nine parishes for all categories of assistance, which include three parishes in the Cooperative's service territory. As of December 31, 2024 and 2023, the Cooperative had a receivable from FEMA totaling \$242,839 and \$402,904, respectively. Based on accounting guidance, and historical experience the Cooperative recorded an additional contingent liability related to this disaster in the amount of \$85,520 and \$85,520 as of December 31, 2024 and 2023, respectively.

During August 2021, Southern Louisiana suffered considerable damage from Hurricane Ida; resulting in the President of the United States issuing a major disaster declaration (DR-4611) for twenty-nine parishes for all categories of assistance, which include all parishes in the Cooperative's service territory. The Cooperative recorded all known and measurable costs associated with the restoration effort to construction work in progress and retirement work in progress. Upon completion of the restoration and the project worksheet for each parish the Cooperative recorded a receivable from GOHSEP. As of December 31, 2024 and 2023, the Cooperative has recorded a receivable in the amount of \$15,335,627 and \$18,857,390, respectively.

As of December 31, 2024 and 2023, the Cooperative has a liability recorded on its balances sheets related to Hurricanes Katrina, Gustav, and Delta and Winter Storm Uri of \$3,866,140 and \$3,928,520, respectively.

23. Subsequent Events

The Cooperative has evaluated all subsequent events through April 9, 2025, the date the consolidated financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

Schedule 1

CONSOLIDATING INFORMATION
BALANCE SHEET
DECEMBER 31, 2024

	ASSETS				
	DEMCO	DEMCO Energy Services, Inc.	Dixie Business Development Center, Inc.	Eliminating Entries	Consolidated Total
UTILITY PLANT					
Electric Plant in Service	\$ 821,494,340	\$	\$	\$	\$ 821,494,340
Other Fixed Assets		154,645	1,709,892		1,864,537
Right of Use Lease Assets	246,112				246,112
Construction Work in Progress	21,125,193				21,125,193
	<u>\$ 842,865,645</u>	<u>\$ 154,645</u>	<u>\$ 1,709,892</u>	<u>\$ 0</u>	<u>\$ 844,730,182</u>
Less: Accumulated Depreciation	216,854,601	76,632	858,019		217,789,252
	<u>\$ 626,011,044</u>	<u>\$ 78,013</u>	<u>\$ 851,873</u>	<u>\$ 0</u>	<u>\$ 626,940,930</u>
INVESTMENTS AND OTHER ASSETS					
Investments in Associated Organizations	\$ 12,853,845	\$ 1,000	\$	\$	\$ 12,854,845
Investments, at cost plus equity in undistributed earnings	1,462,577			(1,462,577)	
Notes Receivable, Long-Term Portion	52,570				52,570
Notes Receivable, Long-Term Portion - Intercompany	103,545			(103,545)	
Total Investments and Other Assets	<u>\$ 14,472,537</u>	<u>\$ 1,000</u>	<u>\$ 0</u>	<u>\$ (1,566,122)</u>	<u>\$ 12,907,415</u>
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 42,422	\$ 58,450	\$ 114,929	\$	\$ 215,801
Notes Receivable, Current Portion	80,673				80,673
Notes Receivable, Current Portion - Intercompany	25,886			(25,886)	
Accounts Receivable					
Consumers, net of allowance of \$839,709	14,212,320				14,212,320
FEMA, net of allowance of \$0	15,801,332				15,801,332
Intercompany Receivables	35,452	676,202		(711,654)	
Other Receivables, net of allowance of \$849,956	4,208,834	700	6,000		4,215,534
Unbilled Revenue	15,444,525				15,444,525
Under-Collected Purchase Power Cost Adjustment	890,564				890,564
Materials and Supplies	10,007,342	10,811			10,018,153
Other Current and Accrued Assets	3,533,871	4,126	5,218		3,543,215
Total Current Assets	<u>\$ 64,283,221</u>	<u>\$ 750,289</u>	<u>\$ 126,147</u>	<u>\$ (737,540)</u>	<u>\$ 64,422,117</u>
DEFERRED CHARGES	<u>\$ 29,001,469</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 29,001,469</u>
TOTAL ASSETS	<u>\$ 733,768,271</u>	<u>\$ 829,302</u>	<u>\$ 978,020</u>	<u>\$ (2,303,662)</u>	<u>\$ 733,271,931</u>
	EQUITIES AND LIABILITIES				
EQUITIES					
Memberships	\$ 340,720	\$	\$	\$	\$ 340,720
Net Investment in Fixed Assets			792,119	(792,119)	
Undesignated			(63,232)	63,232	
Patronage Capital	106,666,783				106,666,783
Other Equities	15,772,210				15,772,210
Member's Equity		733,690		(733,690)	
Total Equities	<u>\$ 122,779,713</u>	<u>\$ 733,690</u>	<u>\$ 728,887</u>	<u>\$ (1,462,577)</u>	<u>\$ 122,779,713</u>
LONG-TERM DEBT					
Notes Payable, Less Current Maturities	\$ 466,887,104	\$	\$ 52,346	\$	\$ 466,939,450
Notes Payable, Less Current Maturities - Intercompany			103,545	(103,545)	
Financing Lease Obligations, Less Current Maturities	1,632,470				1,632,470
Operating Right of Use Lease Obligations, Less Current Maturities	59,078				59,078
Total Long-Term Debt	<u>\$ 468,578,652</u>	<u>\$ 0</u>	<u>\$ 155,891</u>	<u>\$ (103,545)</u>	<u>\$ 468,630,998</u>
NON-CURRENT LIABILITIES					
Post-Retirement Benefit Obligation, Less Current Maturities	<u>\$ 20,491,297</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 20,491,297</u>
CURRENT LIABILITIES					
Current Maturities of Notes Payable	\$ 17,665,945	\$	\$ 7,408	\$	\$ 17,673,353
Current Maturities of Notes Payable - Intercompany			25,886	(25,886)	
Current Maturities of Finance Lease Obligations	565,367				565,367
Current Maturities of Right of Use Lease Obligations	61,003				61,003
Current Maturities of Post-Retirement Benefit Obligation	1,237,827				1,237,827
Lines of Credit	59,071,376				59,071,376
Accounts Payable - Purchased Power	11,464,931				11,464,931
Accounts Payable - Other	7,591,838		9,322		7,601,160
Intercompany Payables	676,202		35,452	(711,654)	
Consumer Deposits	9,310,675				9,310,675
Accrued Taxes	670,398	89,789			760,187
Accrued Interest	616,109				616,109
Other Current and Accrued Liabilities	2,189,610	5,823	15,174		2,210,607
Total Current Liabilities	<u>\$ 111,121,281</u>	<u>\$ 95,612</u>	<u>\$ 93,242</u>	<u>\$ (737,540)</u>	<u>\$ 110,572,595</u>
DEFERRED CREDITS	<u>\$ 10,797,328</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 10,797,328</u>
TOTAL EQUITIES AND LIABILITIES	<u>\$ 733,768,271</u>	<u>\$ 829,302</u>	<u>\$ 978,020</u>	<u>\$ (2,303,662)</u>	<u>\$ 733,271,931</u>

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

Schedule 2

CONSOLIDATING INFORMATION
STATEMENT OF OPERATIONS AND PATRONAGE CAPITAL
DECEMBER 31, 2024

	DEMCO	DEMCO Energy Services, Inc.	Dixie Business Development Center, Inc.	Eliminating Entries	Consolidated Total
OPERATING REVENUE					
Residential	\$ 209,018,191	\$	\$	\$	\$ 209,018,191
Small Commercial	25,429,449				25,429,449
Large Commercial	29,496,154				29,496,154
Public Street and Highway Lighting	308,009				308,009
Other Sales to Public Authorities	1,615,621				1,615,621
Rent from Electric and Other Property	1,462,299		229,850		1,692,149
Other Revenue	4,179,094	464,298	29,921		4,673,313
Total Operating Revenues	\$ 271,508,817	\$ 464,298	\$ 259,771	\$ 0	\$ 272,232,886
OPERATING EXPENSES					
Purchased Power	\$ 153,173,062	\$	\$	\$	\$ 153,173,062
Transmission - Operation	648,414				648,414
Transmission - Maintenance	347,344				347,344
Distribution - Operation	7,854,408				7,854,408
Distribution - Maintenance	26,537,432				26,537,432
Consumer Accounts	8,566,418				8,566,418
Customer Service and Information	281,178				281,178
Selling Expenses	1,065,940				1,065,940
Administrative and General Expenses	19,075,331	113,742	245,610		19,434,683
Depreciation	26,227,238	23,749	55,889		26,306,876
Taxes and Penalties	6,615,618	4,943			6,620,561
Other Expenses	229,760				229,760
Total Operating Expenses	\$ 250,622,143	\$ 142,434	\$ 301,499	\$ 0	\$ 251,066,076
Operating Margins (Deficits) before Fixed Charges	\$ 20,886,674	\$ 321,864	\$ (41,728)	\$ 0	\$ 21,166,810
FIXED CHARGES					
Interest on Long-Term Debt	\$ 16,328,150	\$	\$	\$	\$ 16,328,150
Amortization of Reacquired Debt	12,731				12,731
Other Interest	2,023,098		272		2,023,370
Total Fixed Charges	\$ 18,363,979	\$ 0	\$ 272	\$ 0	\$ 18,364,251
Operating Margins (Deficits) after Fixed Charges	\$ 2,522,695	\$ 321,864	\$ (42,000)	\$ 0	\$ 2,802,559
OTHER CAPITAL CREDITS	\$ 2,467,492	\$ 0	\$ 0	\$ 0	\$ 2,467,492
NONOPERATING MARGINS					
Interest Income	\$ 301,267	\$	\$	\$	\$ 301,267
Other Income (Loss)	213,267	(8,258)			205,009
Grant Income			14,340		14,340
Affiliated Company Income	144,847			(144,847)	
Total Nonoperating Margins	\$ 659,381	\$ (8,258)	\$ 14,340	\$ (144,847)	\$ 520,616
NET MARGINS BEFORE PROVISION FOR INCOME TAXES	\$ 5,649,568	\$ 313,606	\$ (27,660)	\$ (144,847)	\$ 5,790,667
PROVISION FOR INCOME TAX EXPENSE	(17,800)	(141,099)			(158,899)
NET MARGINS (DEFICIT)	\$ 5,631,768	\$ 172,507	\$ (27,660)	\$ (144,847)	\$ 5,631,768
PATRONAGE CAPITAL - BEGINNING OF PERIOD	111,914,061	761,183	756,547	(1,517,730)	111,914,061
Offset Prior Losses with Operating Margins	(4,972,387)				(4,972,387)
Special Bad Debt Equity Retirement	(5,247,278)				(5,247,278)
Transfer Non-Operating Margins to Other Equities	(514,534)				(514,534)
Transfer Subsidiary Margins to Other Equities	(144,847)				(144,847)
Dividends Declared		(200,000)		200,000	
PATRONAGE CAPITAL - END OF PERIOD	\$ 106,666,783	\$ 733,690	\$ 728,887	\$ (1,462,577)	\$ 106,666,783

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

Schedule 3

CONSOLIDATING INFORMATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2024

	DEMCO	DEMCO Energy Services, Inc.	Dixie Business Development Center, Inc.	Eliminating Entries	Consolidated Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Net Margins (Deficits)	\$ 5,631,768	\$ 172,507	\$ (27,660)	\$ (144,847)	\$ 5,631,768
Adjustments to Reconcile Net Margins to Net Cash From Operating Activities					
Depreciation	28,135,712	23,749	55,889		28,215,350
Capital Credits	(1,741,395)				(1,741,395)
Affiliated Company Income	(144,847)			144,847	
(Increase) Decrease					
Accounts Receivable	(2,621,808)				(2,621,808)
Accounts Receivable - Other	(1,052,887)	(700)	(6,000)		(1,059,587)
Accounts Receivable - Intercompany	(17,054)	(76,751)		93,805	
Unbilled Revenue	(961,002)				(961,002)
Under-Collected Purchased Power Cost Adjustment	(1,699,756)				(1,699,756)
Inventories and Other Current and Accrued Assets	(2,432,112)	10,797	(333)		(2,421,648)
Deferred Charges	(3,559,271)				(3,559,271)
Deferred Income Taxes		39,896			39,896
Increase (Decrease)					
Accounts Payable and Other Current Liabilities	(859,847)	77,971	7,163		(774,713)
Accounts Payable - Purchased Power	711,785				711,785
Accounts Payable - Intercompany	76,751		17,054	(93,805)	
Deferred Credits	199,457				199,457
Net Cash From Operating Activities	\$ 19,665,494	\$ 247,469	\$ 46,113	\$ 0	\$ 19,959,076
CASH FLOWS FROM INVESTING ACTIVITIES					
Additions to Plant	\$ (38,719,721)	\$ (33,665)	\$ (20,375)	\$	\$ (38,773,761)
Plant Removal Costs Over Salvage and Other Credits	(6,062,507)				(6,062,507)
Accounts Receivable - FEMA Disaster Grants	4,075,953				4,075,953
Other Property and Investments	160,363				160,363
Net (Advances) Payments - Notes Receivable - Intercompany	25,886			(25,886)	
Net (Advances) Payments - Notes Receivable	34,887				34,887
Dividends from Affiliated Company	200,000			(200,000)	
Net Cash From Investing Activities	\$ (40,285,139)	\$ (33,665)	\$ (20,375)	\$ (225,886)	\$ (40,565,065)
CASH FLOWS FROM FINANCING ACTIVITIES					
Payments on Long-Term Debt - RUS	\$ (2,215,364)	\$	\$	\$	\$ (2,215,364)
Payments on Long-Term Debt - FFB	(14,072,721)				(14,072,721)
Payments on Long-Term Debt - CoBank	(928,435)				(928,435)
Payments on Long-Term Debt - CFC	(2,246,741)				(2,246,741)
Payments on Long-Term Debt - Other	(1,141,256)		(30,220)	25,886	(1,145,590)
Payments on Lease Obligations	(432,488)				(432,488)
Advances of Long-Term Debt - FFB	26,377,650				26,377,650
Advances of Long-Term Debt - CFC	2,537,956				2,537,956
Advances of Long-Term Debt - SCPDC			55,856		55,856
Line of Credit - Net	6,309,801				6,309,801
Dividends to Affiliated Company		(200,000)		200,000	
Memberships and Other Equities	(15,320)				(15,320)
Net Cash From Financing Activities	\$ 14,173,082	\$ (200,000)	\$ 25,636	\$ 225,886	\$ 14,224,604
CHANGE IN CASH AND CASH EQUIVALENTS	\$ (6,446,563)	\$ 13,804	\$ 51,374	\$ 0	\$ (6,381,385)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>6,488,985</u>	<u>44,646</u>	<u>63,555</u>		<u>6,597,186</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 42,422</u>	<u>\$ 58,450</u>	<u>\$ 114,929</u>	<u>\$ 0</u>	<u>\$ 215,801</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION					
Cash Paid During the Year for:					
Interest on Long-Term Debt	\$ 17,720,281	\$ 0	\$ 257	\$ 0	\$ 17,720,538
Federal and State Income Taxes	\$ 0	\$ 3,685	\$ 0	\$ 0	\$ 3,685
SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION					
Assets Obtained Through Finance Leases	\$ 2,066,712	\$ 0	\$ 0	\$ 0	\$ 2,066,712
Assets Obtained Through Operating Right of Use Leases	\$ 47,556	\$ 0	\$ 0	\$ 0	\$ 47,556
Patronage Capital Retired	\$ 5,247,278	\$ 0	\$ 0	\$ 0	\$ 5,247,278

COMPLIANCE AND INTERNAL CONTROL SECTION

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

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 THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Dixie Electric Membership Corporation
Greenwell Springs, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Dixie Electric Membership Corporation, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise Dixie Electric Membership Corporation's financial statements, and have issued our report thereon dated April 9, 2025.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

April 9, 2025

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

UNIFORM GUIDANCE COMPLIANCE REPORTING PACKAGE

FOR THE YEAR ENDED DECEMBER 31, 2024

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

**DIXIE ELECTRIC MEMBERSHIP CORPORATION
GREENWELL SPRINGS, LOUISIANA
UNIFORM GUIDANCE COMPLIANCE REPORTING PACKAGE
FOR THE YEAR ENDED DECEMBER 31, 2024**

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

CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Directors
Dixie Electric Membership Corporation
Greenwell Springs, Louisiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Program

We have audited Dixie Electric Membership Corporation's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Dixie Electric Membership Corporation's major federal programs for the year ended December 31, 2024. Dixie Electric Membership Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Dixie Electric Membership Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2024.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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 over compliance may exist that were not identified.

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

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 the Cooperative as of and for the year ended December 31, 2024, and have issued our report thereon dated April 9, 2025, 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

May 17, 2025

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

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

Board of Directors
Dixie Electric Membership Corporation
Greenwell Springs, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Dixie Electric Membership Corporation (the Cooperative), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements, and have issued our report thereon dated April 9, 2025.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses and significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

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

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

April 9, 2025

DIXIE ELECTRIC MEMBERSHIP CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2024

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): **None Reported**

Significant Deficiencies: **None Reported**

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

Federal Awards:

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

Internal Control over Major Federal Programs

Material Weakness(es): **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: **\$750,000**

Low risk auditee: **Yes**

II. Financial Statement Findings

None Reported

III. Federal Award Findings and Questioned Costs

None Reported

DIXIE ELECTRIC MEMBERSHIP CORPORATION
SCHEDULE OF STATUS OF CURRENT AND PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2024

Current Year's Findings/Noncompliance

None for the year ended December 31, 2024.

Prior Year's Findings/Noncompliance

None for the year ended December 31, 2023.

DIXIE ELECTRIC MEMBERSHIP CORPORATION

**SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
YEAR ENDED DECEMBER 31, 2024**

Agency Head Name: Randall Pierce, Chief Executive Officer

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

DIXIE ELECTRIC MEMBERSHIP CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2024

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>U.S. Department of Homeland Security</u>				
Federal Emergency Management Agency (FEMA) Passed through the Government Office of Homeland Security and Emergency Preparedness (GOHSEP)				
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	DR 4611	97.036	\$ 11,552,845	\$
Total Schedule of Expenditures of Federal Awards			\$ 11,552,845	\$ 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 Dixie Electric Membership Corporation (the Cooperative) and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the Cooperative, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Cooperative.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

The Cooperative has elected not to use either the 15% or the 10% de minimis cost rate allowed under Uniform Guidance.

NOTE D – AMOUNTS INCLUDED IN THE SEFA

The Cooperative includes Expenditures of Federal Awards from Category Z costs (Management Costs). Eligible costs up to 5% of total expenditures are able to be claimed and cover costs of management of projects such as consulting and auditing services. For the year ended December 31, 2024, the Cooperative included obligated funds for Category Z costs in the SEFA totaling \$2,648,768.

DIXIE ELECTRIC MEMBERSHIP CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE E – TOTAL FEMA FUNDS RECEIVED

The Cooperative received a total of \$15,628,798 from FEMA during the year ended December 31, 2024. \$15,074,608 was received for Hurricane Ida, \$160,065 was received for Winter Storm Uri, and \$394,125 was received for Hurricane Delta.

DIXIE ELECTRIC MEMBERSHIP CORPORATION
GREENWELL SPRINGS, LOUISIANA

AGREED-UPON PROCEDURES REPORT
RELATED TO LOUISIANA LEGISLATIVE AUDITOR'S
STATEWIDE AGREED-UPON PROCEDURES

DIXIE ELECTRIC MEMBERSHIP CORPORATION
AGREED-UPON PROCEDURES
RELATED TO LOUISIANA LEGISLATIVE AUDITOR'S
STATEWIDE AGREED-UPON PROCEDURES

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Independent Accountant's Report
on Applying Agreed-Upon Procedures

Dixie Electric Membership Corporation
Greenwell Springs, Louisiana

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA'S) Statewide Agreed-Upon Procedures (SAUPs) for the year ended December 31, 2024. Dixie Electric Membership Corporation's management is responsible for those C/C areas identified in the SAUPs.

Dixie Electric Membership Corporation (DEMCO) has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the year ended December 31, 2024. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are described in Schedule A.

We were engaged by DEMCO to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of Government Auditing Standards. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you

We are required to be independent of DEMCO and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

June 20, 2025

Schedule A – Agreed-Upon Procedures and Findings

Procedures Performed and Associated Findings

Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures

1) *Written Policies and Procedures*

- A. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
- i. **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - No exceptions noted. We obtained the budgeting policy. No issues were noted between policy and standards applicable to public funds in regards to Not-for-profit organizations.
 - ii. **Purchasing**, including (1) how purchases are initiated, (2) how vendors are added to the vendor list, (3) the preparation and approval process of purchase requisitions and purchase orders, (4) controls to ensure compliance with the Public Bid Law, and (5) documentation required to be maintained for all bids and price quotes.
 - No exceptions noted. We obtained the purchasing policy. No issues were noted between policy and standards applicable to public funds in regards to Not-for-profit organizations.
 - iii. **Disbursements**, including processing, reviewing, and approving.
 - No exceptions noted. We obtained the disbursements policy. No issues were noted between policy and standards applicable to public funds in regards to Not-for-profit organizations.
 - iv. **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
 - No exceptions noted. We obtained the receipts/collections policy. No issues were noted between policy and standards applicable to public funds in regard to Not-for-profit organizations.
 - v. **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.

Schedule A – Agreed-Upon Procedures and Findings

- No exceptions noted. We obtained the payroll/personnel policy. No issues were noted between policy and standards applicable to public funds in regard to Not-for-profit organizations.
- vi. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
 - No exceptions noted. We obtained the contracting policy. No issues were noted between policy and standards applicable to public funds in regard to Not-for-profit organizations.
- vii. **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
 - No exceptions noted. We obtained the travel and reimbursement policy. No issues were noted between policy and standards applicable to public funds in regard to not-for-profit organizations.
- viii. **Credit Cards (and debit cards, fuel cards, purchase cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
 - No exceptions noted. We obtained the credit card policy. No issues were noted between policy and standards applicable to public funds in regard to not-for-profit organizations.
- ix. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
 - Not Applicable. DEMCO is organized as a 501 (C) – 12 Cooperative that is exempt for tax purposes and is deemed eligible for grant programs such as those received from the Department of Homeland Security through the Federal Emergency Management Agency (FEMA) disaster assistance program. The board of directors nor the management of DEMCO is not considered a public servant under Louisiana Law. The board of directors are elected by the members of DEMCO. The chief executive officer is hired by the board of directors. Other management is hired by the chief executive officer.
- x. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Schedule A – Agreed-Upon Procedures and Findings

- Not applicable. DEMCO isn't required by its lenders to maintain written policies and procedures related to debt issuance. DEMCO maintains loans including secured and unsecured obligations to entities that lend to Cooperatives. DEMCO's board of directors approve any new loans which is documented in the DEMCO board minutes. Compliance with debt service is provided by DEMCO to its lenders but the lenders also determine compliance with respective debt service financial ratios. DEMCO doesn't issue general obligation bonds that are required to be approved by the voters. Therefore, the policies provisions are not applicable to DEMCO.
- x. **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
 - No exceptions noted. We obtained the Information Technology Disaster Recovery/Business Continuity plans. No issues were noted between policy and standards applicable to public funds in regard to Not-for-profit organizations.
- xii. **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.
 - Not applicable. Under the prevention of sexual harassment law R.S. 42:341-345, DEMCO does not have individuals within DEMCO that are considered any of the following:
 - Agency Head – Chief executive or administrative officer of any agency or the chairman of a board or commission
 - Public Servant – Public employee or an elected official
 - Public Employee – anyone who is:
 - Administrative officer or official of a governmental entity who is not filling an elected office.
 - Appointed to a post or position created by rule, law, resolution, ordinance, charter, or executive order
 - Employed by an agency, officer, or official governmental entity.
 - Elected Official – any person holding an office in a governmental entity which is filled by the vote of the appropriate electorate.
 - Additionally, DEMCO is not considered a governmental entity or an agency of the state of Louisiana thus the prevention of sexual harassment law is not applicable to DEMCO. DEMCO is organized as a 501 (C) – 12 and is considered tax exempt under the internal revenue code.

Schedule A – Agreed-Upon Procedures and Findings

2) Board or Finance Committee

- A. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and
- i. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - No exceptions noted. During the financial statement audit, we obtained the finance committee board minutes for each month and we noted there were board meetings each month during the 2024 fiscal period.
 - ii. For those entities reporting on the governmental accounting model, review the minutes from all regularly scheduled board/finance committee meetings held during the fiscal year and observe whether the minutes from at least one meeting each month referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual comparisons, at a minimum, on all proprietary funds, and semi-annual budget-to-actual comparisons, at a minimum, on all special revenue funds. Alternatively, for those entities reporting on the not-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.
 - No exceptions noted. We noted that the monthly board minutes included a report from management regarding the funding received from the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP). We also noted that the public funds did not exceed 10% of the entity's collections for the year ended December 31, 2024.
 - iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.
 - Not applicable. DEMCO is an electric cooperative organized under the 501 (C)-12 of the internal revenue code and is not considered a governmental entity but rather is considered a tax exempt cooperative.
 - iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.
 - No exceptions noted. No audit findings were noted during the previous audit period and thus there is no written updates that are applicable.

Schedule A – Agreed-Upon Procedures and Findings

3) ***Bank Reconciliations***

- A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
- i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
 - No exceptions noted. We tested all of the December 2024 bank reconciliations during the year ended December 31, 2024. We noted that the reconciliations included evidence that they were prepared within 2 months of the related statement closing date.
 - ii. Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within 1 month of the date the reconciliation was prepared (e.g., initialed and dated or electronically logged); and
 - No exceptions noted. We tested all of the December 2024 bank reconciliations during the year ended December 31, 2024 financial statement audit. We noted that the reconciliations included written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within 1 month of the date the reconciliation was prepared.
 - iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.
 - No exceptions noted. We tested all of the December 2024 bank reconciliations during the year ended December 31, 2024 financial statement audit. We noted that there were no reconciling items that have been outstanding for more than 12 months from the statement closing date.

4) ***Collections (excluding electronic funds transfers)***

- A. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
- B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (e.g., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that;

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- i. Employees responsible for cash collections do not share cash drawers/registers;
 - ii. Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit;
 - iii. Each employee responsible for collecting cash is not also responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit; and
 - iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or custodial fund additions, is (are) not also responsible for collecting cash, unless another employee/official verifies the reconciliation.
- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.
- D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc. Obtain supporting documentation for each of the 10 deposits and
- i. Observe that receipts are sequentially pre-numbered.
 - ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - iii. Trace the deposit slip total to the actual deposit per the bank statement.
 - iv. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
 - v. Trace the actual deposit per the bank statement to the general ledger.
 - Not applicable. Due to DEMCO having on federal program from the Federal Emergency Management Agency and all of the funds from the pass-thru agency being electronic funds transfers the above procedures are not applicable to DEMCO.

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5) *Non-Payroll Disbursements (excluding card purchases, travel reimbursements, and petty cash purchases)*

- A. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
- No exceptions noted. DEMCO's processing of payments are centralized to its headquarters office location where the accounting department is located. While DEMCO has multiple office locations with warehouses that issue materials for FEMA projects, the payments associated with the FEMA program are disbursed from the accounting department located at the headquarters office location.
- B. For each location selected under procedure #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, then inquire of employees about their job duties), and observe that job duties are properly segregated such that
- i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;
 - No exceptions noted.
 - ii. At least two employees are involved in processing and approving payments to vendors;
 - No exceptions noted.
 - iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files;
 - No exceptions noted.
 - iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments; and
 - No exceptions noted.
 - v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.
 - No exceptions noted.

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- C. For each location selected under procedure #5A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and
- i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity, and
 - No exceptions noted. During our testing of 58 disbursements for the single audit, we noted that the disbursement amount matched the itemized invoice and other supporting documentation.
 - ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.
 - No exceptions noted. During our testing of 58 disbursements for the single audit, we noted that the disbursement documentation included evidence of segregation of duties regarding initiation, recording, and approval of the disbursement.
- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.
- No exceptions noted. We selected 5 electronic disbursements from the main operating account from the December 2024 bank statement.

6) ***Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)***

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement). Obtain supporting documentation, and

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- i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., itemized receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported); and
 - ii. Observe that finance charges and late fees were not assessed on the selected statements.
- C. Using the monthly statements or combined statements selected under procedure #6B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection) . For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.
- Not applicable. We did not test the above procedures due to there being no credit cards, debit cards, fuel cards, or purchase cards that were used for disbursement of federal funds during the year ended December 31, 2024.

7) *Travel and Travel-Related Expense Reimbursements (excluding card transactions)*

- A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected
- i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana (doa.la.gov/doa/ost/ppm-49-travel-guide/) or the U.S. General Services Administration (www.gsa.gov);
 - ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;
 - iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures procedure #1A(vii); and
 - iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

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- Not applicable. We did not test the above procedures due to there being no travel and travel related expense reimbursements that were used for disbursement of federal funds during the current fiscal year.

8) Contracts

- A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Alternatively, the practitioner may use an equivalent selection source, such as an active vendor list. Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and
- Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law;
 - Not applicable. Per the Compliance Matrix provided by the Office of Management and Budget, procurement is not applicable for program 97.036 – Disaster Grants-Public Assistance (Presidentially Declared Disaster).
 - Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter);
 - Not applicable. Per the Compliance Matrix provided by the Office of Management and Budget, procurement is not applicable for program 97.036 – Disaster Grants-Public Assistance (Presidentially Declared Disaster).
 - If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and
 - No exceptions noted. One contractor in current year's federal spending contained a noted contract change. We obtained the applicable documentation per the procedure above.
 - Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.
 - No exceptions noted. Since there was only one contract that contained a contract change, one contract was obtained and the supporting invoice agreed to the contract terms along with the related payment was agreed to the terms and conditions of the contract.

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9) ***Payroll and Personnel***

- A. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and
 - i. Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);
 - ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;
 - iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and
 - iv. Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.
- B. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.
- C. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums) have been paid, and any associated forms have been filed, by required deadlines.
 - Not applicable. We did not test the above procedures since there were no payroll expense reimbursements submitted related to federal fund reimbursements during the year ended December 31, 2024.

10) ***Ethics***

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A obtain ethics documentation from management, and
 - i. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and

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- ii. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

- B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

- Not applicable. Due to organizational structure of DEMCO as a 501 (C) – 12 cooperative, ethics training is not required by DEMCO because the board of directors, management, and employees do not meet the stated criteria of R.S. 42:1170 including the following:

Statewide Elected Official
Legislator
Public Service Commissioner
Public Servant
Registered Lobbyist

11) ***Debt Service***

- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.
- B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

- Not applicable. DEMCO only maintains loans including secured and unsecured obligations to entities that lend to Cooperatives. DEMCO's board of directors approve any new loans which is documented in the DEMCO board minutes. Compliance with debt service is provided by DEMCO to its lenders but the lenders also determine compliance with respective debt service financial ratios. DEMCO doesn't issue general obligation bonds that are required to be approved by the voters nor be approved by the State Bond Commission Therefore, the provisions of Debt Service are not applicable to DEMCO.

12) ***Fraud Notice***

- A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.

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- B. Observe that the entity has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.
- Not applicable. DEMCO is an electric cooperative organized under the 501 (C)-12 of the internal revenue code and is not considered a governmental entity but rather is considered a tax exempt cooperative. Both the board of directors and the chief executive officer of DEMCO are not considered an “Agency Head” since DEMCO is not considered an agency of the Louisiana Government. Agency is defined as a department, office, division, agency, commission, board, committee or other organizational unit of a governmental entity. Therefore, the Fraud notification is not applicable to DEMCO.

13) *Information Technology Disaster Recovery/Business Continuity*

Perform the following procedures, verbally discuss the results with management, and report “We performed the procedure and discussed the results with management”:

- A. Obtain and inspect the entity’s most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government’s local server or network, and (c) was encrypted.
- We performed the procedure and discussed the results with management.
- B. Obtain and inspect the entity’s most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
- We performed the procedure and discussed the results with management.
- C. Obtain a listing of the entity’s computers currently in use and their related locations, and management’s representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.
- We performed the procedure and discussed the results with management.
- D. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in Payroll and Personnel procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.
- We performed the procedure and discussed the results with management.

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- E. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency's information technology assets have completed cybersecurity training as required by R.S. 42:1267. The requirements are as follows:
- i. Hired before June 9, 2020 - completed the training; and
 - ii. Hired on or after June 9, 2020 - completed the training within 30 days of initial service or employment
- We performed the procedure and discussed the results with management.

14) ***Prevention of Sexual Harassment***

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.
- B. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
- C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that the report includes the applicable requirements of R.S. 42:344:
- i. Number and percentage of public servants in the agency who have completed the training requirements;
 - ii. Number of sexual harassment complaints received by the agency;
 - iii. Number of complaints which resulted in a finding that sexual harassment occurred;
 - iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - v. Amount of time it took to resolve each complaint.
- Not applicable. Under the prevention of sexual harassment law R.S. 42:343-344, DEMCO does not have individuals within DEMCO that are considered any of the following:
 - Agency Head – Chief executive or administrative officer of any agency or the chairman of a board or commission
 - Public Servant – Public employee or an elected official

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- Public Employee – anyone who is:
 - Administrative officer or official of a governmental entity who is not filling an elected office.
 - Appointed to a post or position created by rule, law, resolution, ordinance, charter, or executive order
 - Employed by an agency, officer, or official governmental entity.
- Elected Official – any person holding an office in a governmental entity which is filled by the vote of the appropriate electorate.
- Additionally, DEMCO is not considered a governmental entity or an agency of the state of Louisiana thus the prevention of sexual harassment law is not applicable to DEMCO. DEMCO is organized as a 501 (C) – 12 and is considered tax exempt under the internal revenue code.