BEAUREGARD ELECTRIC COOPERATIVE, INC.

DeRidder, Louisiana

Financial Statement and Report of Independent Auditor

For the Years Ended December 31, 2020 and 2019

BEAUREGARD ELECTRIC COOPERATIVE, INC.

TABLE OF CONTENTS

BEAUREGARD ELECTRIC COOPERATIVE, INC.

BOARD OF DIRECTORS

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

EXECUTIVE STAFF

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

J. Aaron Cooper, CPA, LLC
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Member of the American Institute of Certified Public Accountants and the Society of Louisiana Certified Public Accountants.
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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements
I have audited the accompanying financial statements of Beauregard Electric Cooperative, Inc. (a non-profit corporation) which comprise the balance sheet as of December 31, 2020 and 2019, and the related statements of revenues and expenses, equities and margins, and cash flows for the years then ended, and the related notes to the financial statements.

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

Auditor's Responsibility
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion
In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Beauregard Electric Cooperative, Inc. as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters
Other Information. My audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cooperative's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. Such information is the responsibility of management and were derived and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, such information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards,* I have also issued a report dated May 26, 2021, on my consideration of the Beauregard Electric Cooperative's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the 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.

J. Aaron Cooper, CPA, LLC

Jennings, Louisiana
May 26, 2021

FINANCIAL STATEMENTS

BEAUREGARD ELECTRIC COOPERATIVE, INC.

Balance Sheets

December 31, 2020 and 2019

ASSETS

	2020	2019
Utility plant:		
Electric plant in service, at cost	$ 260,705,640	$ 252,407,848
Construction work in progress	12,690,605	4,295,865
Accumulated depreciation	(87,547,947)	(83,372,159)
Net utility plant	185,848,298	173,331,554
Other property and investments:		
Investments in associated organizations	7,132,550	7,155,333
Current assets:		
Cash and cash equivalents	1,537,356	1,370,033
Accounts receivable, less allowance for doubtful accounts of $201,403 and $61,187 in 2020 and 2019, respectively	16,655,270	11,780,770
Disaster assistance receivable	81,574,406	-
Inventories	1,328,377	729,485
Other current assets	1,943,149	2,459,142
Total current assets	103,038,558	16,339,430
Deferred charges	7,831,792	7,955,930
Total assets	$ 303,851,198	$ 204,782,247

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

LIABILITIES AND CAPITAL

	2020	2019
Capital:		
Memberships	$ 159,045	$ 158,275
Patronage	50,743,064	47,521,631
Donated	164,870	164,870
Total capital	51,066,979	47,844,776
Long-term debt:		
National Rural Utilities Cooperative Finance Corporation (CFC)	83,674,989	90,606,560
Current liabilities:		
Accounts payable	23,815,026	8,375,437
Lines of credit	103,482,866	20,330,569
Current portion of long-term debt	6,931,571	6,692,441
Payroll Protection Program loan	2,509,957	-
Current portion of accumulated provision for postretirement benefits	683,781	632,399
Member deposits	5,119,786	5,056,336
Other accrued liabilities	1,396,362	1,350,075
Total current liabilities	143,939,349	42,437,257
Deferred credits and other liabilities:		
Accumulated provision for postretirement benefits	25,169,881	23,893,654
Total deferred credits and other liabilities	25,169,881	23,893,654
Total liabilities	252,784,219	156,937,471
Total liabilities and capital	$ 303,851,198	$ 204,782,247

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

BEAUREGARD ELECTRIC COOPERATIVE, INC.

Statements of Revenue and Expenses

For the Years Ended December 31, 2020 and 2019

	2020	2019
Operating revenue:		
Electricity sales	$ 106,766,924	$ 114,681,510
Miscellaneous electricity revenue	1,031,280	1,801,803
Total operating revenues	107,798,204	116,483,313
Operating expenses:		
Power purchased	75,044,229	82,540,631
Transmission - operation	216,023	209,448
Distribution - operation	4,912,145	4,995,098
Distribution - maintenance	6,330,309	7,441,437
Customer accounting and collection expenses	2,377,944	2,470,403
Marketing	352,085	378,446
Administrative and general	4,764,850	4,962,807
Depreciation and amortization	7,318,032	7,084,278
Total operating expenses	101,315,617	110,082,548
Operating margins before interest expense	6,482,587	6,400,765
Interest expense	4,013,732	4,196,650
Operating margins	2,468,855	2,204,115
Nonoperating margins:		
Capital credits received	496,899	597,312
Interest income	200,124	179,940
Other	55,555	85,569
Total nonoperating margins	752,578	862,821
Net margins	$ 3,221,433	$ 3,066,936

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

BEAUREGARD ELECTRIC COOPERATIVE, INC.

Statements of Equities and Margins

For the Years Ended December 31, 2020 and 2019

	Memberships	Patronage Capital	Donated Capital	Total
Balance at December 31, 2018	$ 156,955	$ 44,454,695	$ 164,870	$ 44,776,520
2018 net margins	-	3,066,936	-	3,066,936
Retirement of capital credits	-	-	-	-
Net change in memberships	1,320	-	-	1,320
Balance at December 31, 2019	158,275	47,521,631	164,870	47,844,776
2019 net margins	-	3,221,433	-	3,221,433
Retirement of capital credits	-	-	-	-
Net change in memberships	770	-	-	770
Balance at December 31, 2020	$ 159,045	$ 50,743,064	$ 164,870	$ 51,066,979

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

BEAUREGARD ELECTRIC COOPERATIVE, INC.

Statements of Cash Flows

For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Net margins	$ 3,221,433	$ 3,066,936
Reconciliation of net margins to net cash provided by operating activities:		
Depreciation and amortization	7,765,151	7,492,182
(Gain) loss on disposition of assets	(31,995)	(30,301)
Change in deferred regulatory charges	124,138	(1,042,303)
Change in deferred credits	-	(13,184)
Change in accumulated provision for postretirement benefits	1,327,609	2,573,431
Changes in current assets and liabilities:		
Accounts receivable	(4,874,500)	(178,314)
Other current assets	515,993	934
Accounts payable	850,962	(625,307)
Other accrued liabilities	46,287	70,323
Net cash provided by operating activities	8,945,078	11,314,397
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(101,020,860)	(15,890,596)
Change in materials inventory	(598,892)	574,542
Cost to remove retired plant	(1,023,518)	(970,731)
Change in construction accounts payable	14,588,627	-
Reimbursement of capital expenditures	82,047,338	3,851,805
Interest cost capitalized to plant	(302,925)	(375,621)
Proceeds of sales of assets	50,065	41,060
Change in investments in associated organizations	22,783	(115,860)
Net cash used by investing activities	(6,237,382)	(12,885,401)
Cash flows from financing activities:		
Drawdowns on lines of credit	83,152,297	(836,856)
Change in disaster assistance receivable	(81,574,406)	-
Proceeds from issuance of long-term debt	2,509,957	8,444,960
Payments on long-term debt	(6,692,441)	(6,315,977)
Change in member deposits	63,450	109,900
Net change in memberships	770	1,320
Net cash provided (used) by financing activities	(2,540,373)	1,403,347
Net change in cash and cash equivalents	167,323	(167,657)
Cash and cash equivalents, beginning of year	1,370,033	1,537,690
Cash and cash equivalents, end of year	$ 1,537,356	$ 1,370,033
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 4,392,460	$ 4,543,449

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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Regulatory Accounting

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

Patronage Capital

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

Utility Plant

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

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

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

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

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

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

Valuation of Long-Lived Assets

Management of the Cooperative periodically reviews the net carrying value of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset might not be recoverable. These reviews consider the net realizable value of each asset to determine whether an impairment in value has occurred, and whether there is a need for any impairment write-down. Impaired assets are reported at the lower of cost or fair value. At December 31, 2020, no assets were considered to be impaired.

Cash and Cash Equivalents

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

Investments in Associated Organizations

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

Revenue Recognition

The Cooperative implemented ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, effective January 1, 2019. Topic 606 requires entities to "recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services." The ASU details a five-step model that should be followed to achieve the core principle. This accounting was applied to all contracts using the modified retrospective method, which requires an adjustment to retained earnings for the cumulative effect of adopting the standard as of the effective date. Because the standard did not result in any material change in how the Cooperative recognizes revenue, however, no adjustment to retained earnings was required. Similarly, there was no effect on revenues recognized under Topic 606 for the year ended December 31, 2020.

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

The Cooperative's primary source of revenue is from retail electric sales sold under tariff rates approved by LPSC. The Cooperative transmits and distributes electric power primarily to retail customers in southwestern Louisiana. Energy is provided on demand throughout the month, measured by a meter located at the customer's property. The Cooperative issues monthly bills to customers at rates approved by regulators for power and related services provided during the previous billing cycle.

To the extent that deliveries have occurred but a bill has not been issued, the Cooperative records an accrual for energy delivered since the latest billings. The Cooperative calculates the accrual based on meter readings gathered remotely on the last day of the month.

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

Accounts Receivable

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

Inventories

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

Income Taxes

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

In accordance with FASB ASC 740-10 which also requires the disclosure of open tax years subject to examination and the policy for classifying interest and penalties, the Cooperative has performed an evaluation and determined that no uncertain tax liabilities or positions exist for the years ended December 31, 2020 and 2019. The Cooperative's tax years of December 31, 2017 through December 31, 2019 remain subject to examination by federal and state taxing authorities.

Fair Value Measurements

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

ASC Topic 825, Financial Instruments, permits entities to choose to measure many financial assets and liabilities at fair value. The fair value of a financial instrument is the amount at which these instruments could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. At December 31, 2020 and 2019, there were no assets or liabilities that were measured at fair value on a recurring basis. Certain assets are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis, but subject to fair value adjustments only in certain circumstances (for example, when there is evidence of impairment). The Cooperative had no assets measured at fair value on a nonrecurring basis at December 31, 2020 and 2019.

Advertising

Advertising costs are charged to expense when incurred. Advertising expense was $352,085 and $378,446 for the years ended December 31, 2020 and 2019, respectively.

Use of Estimates

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

Reclassification of Prior Year Presentation

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

(2) UTILITY PLANT

Utility plant consisted of the following at December 31, 2020 and 2019:

	2020	2019
Transmission plant	$ 23,386,856	$ 23,284,563
Distribution plant	207,826,339	199,905,830
General plant	24,198,441	24,079,309
Intangible plant	5,294,004	5,138,146
Construction work in progress	12,690,605	4,295,865
Total	273,396,245	256,703,713
Accumulated depreciation	(87,547,947)	(83,372,159)
Total utility plant, net	$ 185,848,298	$ 173,331,554

Depreciation expense was $7,765,151 and $7,492,182 for the years ended December 31, 2020 and 2019.

(3) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of the following at December 31, 2020 and 2019:

	2020	2019
Cash on hand	$ 3,100	$ 3,100
Cash in bank	1,534,256	1,366,933
	$ 1,537,356	$ 1,370,033

(4) INVESTMENTS IN ASSOCIATED ORGANIZATIONS

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

Investments in associated organizations consisted of the following at December 31, 2020 and 2019:

	2020	2019
Arkansas Electric Cooperative Corp. - patronage capital	$ 44,485	$ 44,485
Southeastern Data Cooperative - patronage capital	302,411	283,539
Federated Rural Electric Insurance Exchange - patronage capital	770,443	731,352
CoBank:		
Membership	1,000	1,000
Patronage capital	77,426	66,479
Cooperative Finance Corporation (CFC):		
Membership	1,000	1,000
Patronage capital	3,033,422	2,948,117
Capital term certificates (CTC):		
Loan (LTC)	479,250	543,900
Subscriptions (SCTC)	1,292,015	1,292,015
Zero rate (ZTC)	1,057,334	1,175,604
Other	73,764	67,842
Total investments in associated organizations	$ 7,132,550	$ 7,155,333

The capital term certificates invested in CFC are unsecured and subordinated. The LTCs bear interest at an annual rate of 3.00% and mature between 2020 and 2030. The SCTCs bear interest at an annual rate of 5.00% and mature between 2070 and 2080. The ZTCs are non-interest bearing and mature between 2020 and 2040.

(5) ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at December 31, 2020 and 2019:

	2020	2019
Consumer accounts receivable	$ 6,392,943	$ 4,200,279
Unbilled electric revenues	9,279,416	7,183,351
Accounts receivable - other	1,184,314	458,328
Total	16,856,673	11,841,958
Accumulated provision for uncollectible accounts	(201,403)	(61,187)
Total accounts receivable, net	$ 16,655,270	$ 11,780,771

(6) DISASTER ASSISTANCE RECEIVABLE

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

(7) DEFERRED CHARGES

Deferred charges consisted of the following at December 31, 2020 and 2019:

	2020	2019
Unrecognized actuarial loss on OPEB plan	$ 6,540,053	$ 6,164,163
RS Plan prepayment	1,291,739	1,791,767
Total deferred charges	$ 7,831,792	$ 7,955,930

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

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

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

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

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

Long-term debt consists of the following:

	2020	2019
Fixed rate notes payable due to CFC in quarterly installments of principle and interest with rates ranging from 3.25%-4.85%, maturing at various dates through February 29, 2048, collateralized by substantially all the assets of the Cooperative	$ 82,465,788	$ 88,862,233
Variable rate (1.245% at December 31, 2020) note payable to Federal Agricultural Mortgage Corporation (Farmer Mac) in semi-annual payments of principal and interest, maturing February 1, 2044, collateralized by substantially all the assets of the Cooperative	8,140,772	8,436,768
Total long-term debt	90,606,560	97,299,001
Less current maturities	(6,931,571)	(6,692,441)
Total long-term debt, less current maturities	$ 83,674,989	$ 90,606,560

At December 31, 2020, there were unfunded amounts totaling $0 remaining on these long-term facilities.

As of December 31, 2020, annual maturities of long-term debt outstanding for the next five years are as follows:

Year	Annual Principal Payments
2021	$ 6,931,571
2022	6,864,157
2023	5,672,339
2024	4,277,991
2025	4,436,892
Thereafter	62,423,610
Total	$ 90,606,560

The Cooperative has lines of credit totaling $110,000,000 with CFC carrying interest rates between 2.00%-2.45% at year end. At December 31, 2020, $88,493,978 was advanced on the line. The Cooperative has a line of credit of $15,000,000 with CoBank carrying an interest rate of 2.55% at year end. At December 31, 2020, $14,988,888 was advanced on the line.

(9) DEFERRED CREDITS

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

(10) PENSION PLANS

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

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

The Cooperative's contributions to the RS Plan in 2020 and in 2019 represented less than 5 percent of the total contributions made to the RS Plan by all participating employers. The Cooperative made contributions to the RS Plan of $1,684,269 in 2020 and $1,757,455 in 2019. There have been no significant changes that affect the comparability of 2020 and 2019 contributions.

For the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 80 percent funded on January 1, 2020 and over 80 percent funded on January 1, 2019, 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.

Full-time employees are eligible to participate in a 401(k) plan administered by NRECA. Participants can contribute up to 100% of the participants' salary to a maximum of $19,000.

(11) POST RETIRMENENT BENEFITS OTHER THAN PENSIONS

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

Disclosures for the plan for the years ended December 31, 2020 and 2019, are as follows:

	2020	2019
Accumulated benefit obligation, beginning of year	$ 24,526,053	$ 21,952,622
Net actuarial (gain)/loss	-	1,435,706
Service cost	918,718	848,396
Interest cost	860,175	896,509
Benefit payments	(451,284)	(607,180)
Accumulated benefit obligation, end of year	$ 25,853,662	$ 24,526,053
Funded status:		
Net plan assets	$ -	$ -
Net liability recognized	$ 25,853,662	$ 24,526,053
Deferred actuarial (gain)/loss, beginning of year	$ 6,164,163	$ 4,621,832
Net actuarial (gain)/loss	-	1,435,706
Amortization of actuarial gain/(loss)	106,625	106,625
Deferred actuarial (gain)/loss, end of year	$ 6,270,788	$ 6,164,163
Net periodic cost:		
Service cost	$ 918,718	$ 848,396
Interest cost	860,175	896,509
Amortization of actuarial (gain)/loss	(106,625)	(106,625)
Total	$ 1,672,268	$ 1,638,280

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

Year	Annual Payments
2021	683,781
2022	770,914
2023	846,463
2024	880,877
2025	916,112

Assumptions

The weighted-average rate assumptions used to determine net periodic benefit cost for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
Discount rate	3.60%	3.60%
Health care cost trend for next year	4.70%	4.70%
Ultimate health care cost trend	4.60%	4.60%
Year that the rate reaches the ultimate trend rate	2022	2022

A one percentage point increase in the health care trend rates would have increased the accumulated benefit obligation at December 31, 2020, by $4,984,745 and would have increased the service and interest costs for the year ended December 31, 2020, by $354,639.

(12) CONTINGENCIES, RISKS, AND UNCERTAINTIES

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

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

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

(13) FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

Long-Term Fixed Rate Debt – Estimated by computing the present value of future debt service payments using currently quoted or offered rates for similar issues of debt (Level 2). The interest rate on the Cooperative's latest financing with CFC (3.40%) was used to determine fair value. These are the only financial instruments of the Cooperative that have a difference in fair value and carrying value.

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

	2020	
	Carrying Amount	Fair Value
Fixed rate long-term debt	$ 82,465,788	$ 86,629,409

(14) NEW ACCOUNTING PRONOUNCEMENTS

Upon issuance of exposure drafts or final pronouncements, the Cooperative reviews new accounting literature to determine the relevance, if any, to its business. The following represents a summary of pronouncements that the Cooperative has determined relate to its operations:

Accounting for Leases –New accounting standards issued by FASB will require significant changes in accounting for operating leases under which the Company is lessee. Upon adoption, among other effects, the Company will be required to record assets and liabilities for all operating lease obligations with terms of 12 months or greater. These changes will entail certain retrospective adjustments. This guidance is effective for nonpublic entities for reporting periods beginning after December 15, 2021.

The effects on the Company's future financial statements of these changes and related retrospective adjustments have not yet been determined.

(15) SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 26, 2021, which is the date the financial statements were available to be issued.

(16) PUBLIC FUNDS PAID TO AGENCY HEAD

Kevin Turner, general manager, is considered the agency head of Beauregard Electric Cooperative for purposes of required disclosures under Louisiana R.S. 24:513(A)(3). Mr. Turner received no payments of public funds during the years ended December 31, 2020 and 2019.

COMPLIANCE SECTION

J. Aaron Cooper, CPA, LLC
P.O. Box 918 • 106 West Nezpique Street • Jennings, Louisiana 70546
Member of the American Institute of Certified Public Accountants and the Society of Louisiana Certified Public Accountants.
Recipient of Advanced Single Audit Certificate

INDEPENDENT AUDITOR'S REPORT
REGARDING LOAN FUND EXPENDITURES

To the Board of Directors
Beauregard Electric Cooperative, Inc.

I have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Beauregard Electric Cooperative, Inc., as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements and have issued my report thereon dated May 26, 2021.

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

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

J. Aaron Cooper, CPA, LLC

Jennings, Louisiana
May 26, 2021

INFORMATION REQUIRED BY *GOVERNMENT AUDITING STANDARDS* AND THE UNIFORM GUIDANCE

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

Independent Auditor's Report

To the Board of Directors
Beauregard Electric Cooperative, Inc.

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Beauregard Electric Cooperative, Inc. (the Cooperative), which comprise the balance sheet as of December 31, 2020, and the related statement of income, comprehensive income and patronage capital and cash flows for the year then ended and the related notes to the financial statements and have issued my report thereon dated May 26, 2021.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Cooperative's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, I 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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cooperative's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

J. Aaron Cooper, CPA, LLC

Jennings, Louisiana
May 26, 2021

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REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

To the Board of Directors
Beauregard Electric Cooperative, Inc.

Report on Compliance for Each Major Federal Program

I have audited Beauregard Electric Cooperative, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Cooperative's major federal programs for the year ended December 31, 2020. The Cooperative's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Cooperative's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Cooperative's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the Cooperative's compliance.

Opinion on Each Major Federal Program

In my opinion, Beauregard Electric Cooperative, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control over Compliance

Management of Beauregard Electric Cooperative, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Cooperative's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Cooperative's 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 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.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my 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.

J. Aaron Cagan, CPA, LLC

Jennings, Louisiana
May 26, 2021

BEAUREGARD ELECTRIC COOPERATIVE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

I. Summary of Auditor's Results

Financial Statements:

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

Internal Control over Financial Reporting

Significant Deficiencies: **None Reported**

Material Weaknesses: **No**

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

Federal Awards:

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

Internal Control over Major Federal Programs

Significant Deficiencies: **None Reported**

Material Weaknesses: **No**

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

Major programs include:

97.036 Disaster Grants - Public Assistance (Presidentially-Declared Disasters)

Dollar threshold used to distinguish between Type A and Type B programs: **$750,000**
Low risk auditee: **No**

II. Financial Statement Findings

None Reported.

III. Federal Award Findings and Questioned Costs

None Reported.

BEAUREGARD ELECTRIC COOPERATIVE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures
United States Department of Homeland Security			
Passed through Louisiana Governor's Office of Homeland Security and Emergency Preparedness:			
Public Assistance (Presidentially-Declared Disasters)	97.036	N/A	$ 81,574,406

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

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.