POINTE COUPEE ELECTRIC MEMBERSHIP CORPORATION
FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

POINTE COUPEE ELECTRIC MEMBERSHIP CORPORATION

June 30, 2023 and 2022

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Major, Morrison & David
Certified Public Accountants
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Mark A. David, CPA, PC
John S. Disotell III, CPA, PC

John L. Morrison III, CPA, CGMA, PC
Of Counsel

Van P. Major, CPA (1951-2005)

INDEPENDENT AUDITORS' REPORT

To the Officers and Board of Directors
Pointe Coupee Electric Membership Corporation

Opinion

We have audited the accompanying financial statements of Pointe Coupee Electric Membership Corporation (a Cooperative), which comprise the balance sheets as of June 30, 2023 and 2022, and the related statements of revenue and patronage capital, comprehensive income, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pointe Coupee Electric Membership Corporation as of June 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Pointe Coupee Electric Membership Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 financial statements.

P.O. Box 190 New Roads, LA 70760 • Office 225.638.4531 • Fax 225.638.6898
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In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated September 24, 2023, on our consideration of Pointe Coupee Electric Membership Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pointe Coupee Electric Membership Corporation's internal control over financial reporting and compliance.

Major, Morrison & David
New Roads, Louisiana
September 24, 2023

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POINTE COUPEE ELECTRIC MEMBERSHIP CORPORATION
BALANCE SHEETS
As of June 30, 2023 and 2022

ASSETS	2023	2022
ELECTRIC PLANT: (Note 3)		
In Service - at cost	$ 59,047,815	$ 55,691,969
Construction work in progress	7,358,437	4,953,880
	66,406,252	60,645,849
Less: accumulated depreciation	(17,617,900)	(16,700,082)
	48,788,352	43,945,767
OTHER ASSETS AND INVESTMENTS		
Postretirement benefit asset (Note 14)	1,036,057	675,610
Investments in associated organizations, at cost (Note 4)	1,535,253	1,476,352
	2,571,310	2,151,962
CURRENT ASSETS		
Cash and cash equivalents	682,283	360,543
Short-term investments (Note 4)	-	200,000
Accounts receivable (less provision for uncollectible accounts of $28,994 in 2022 and $31,085 in 2021)	1,833,652	1,817,414
Accounts receivable - unbilled	4,513,037	4,760,327
Materials and supplies (at average cost)	731,423	693,129
Prepaid expenses	72,961	83,706
Other current and accrued assets	7,322	7,472
	7,840,678	7,922,591
DEFERRED DEBITS (Note 9)	1,009,439	1,107,882
	$ 60,209,779	$ 55,128,202

The accompanying notes are an integral part of this statement.

POINTE COUPEE ELECTRIC MEMBERSHIP CORPORATION
BALANCE SHEETS
As of June 30, 2023 and 2022

EQUITIES AND LIABILITIES	**2023**	**2022**
EQUITIES:		
Memberships	$ 39,565	$ 39,690
Accumulated other comprehensive income (Note 14)	1,036,057	675,610
Patronage capital (Note 7)	19,468,422	20,711,343
	20,544,044	21,426,643
LONG-TERM LIABILITIES:		
Long-term debt, less current maturities (Note 5)	27,021,204	26,713,369
Obligations under operating leases - less current portion (Note 8)	338,570	222,529
	27,359,774	26,935,898
CURRENT LIABILITIES:		
Line of credit - note payable (Note 6)	7,500,000	2,350,000
Current maturities of long-term debt (Note 5)	1,422,415	1,341,505
Current portion of obligations under operating leases (Note 8)	224,627	178,456
Accounts payable - purchased power	1,636,176	1,653,148
Accounts payable - other	439,290	213,139
Customer deposits	585,395	578,570
Other current and accrued liabilities	498,058	450,843
	12,305,961	6,765,661
DEFERRED CREDITS	-	-
	$ 60,209,779	$ 55,128,202

The accompanying notes are an integral part of this statement.

POINTE COUPEE ELECTRIC MEMBERSHIP CORPORATION
STATEMENTS OF REVENUE AND PATRONAGE CAPITAL
For the Years Ended June 30, 2023 and 2022

	2023	2022
OPERATING REVENUES	$ 27,359,694	$ 26,239,665
OPERATING EXPENSES:		
Cost of power	17,522,284	15,805,406
Distribution operation	605,057	540,653
Distribution maintenance	3,287,199	2,963,679
Consumer accounts	1,012,466	973,618
Sales	24,610	17,656
Administrative and general	2,730,468	2,426,229
Depreciation and amortization	1,590,189	1,519,595
Lease expense	240,149	196,997
Taxes	572,272	553,738
	27,584,694	24,997,571
OPERATING MARGINS BEFORE FIXED CHARGES	(225,000)	1,242,094
FIXED CHARGES:		
Interest on long-term debt (Note 2)	1,143,988	869,511
OPERATING MARGINS AFTER FIXED CHARGES	(1,368,988)	372,583
CAPITAL CREDITS	102,440	115,452
NET OPERATING MARGINS	(1,266,548)	488,035
NONOPERATING MARGINS:		
Interest income	29,998	30,808
Other income	14,256	1,732
Other expense	(20,627)	(26,385)
	23,627	6,155
NET MARGINS	(1,242,921)	494,190
PATRONAGE CAPITAL - beginning of year	20,711,343	20,217,153
PATRONAGE CAPITAL - end of year	$ 19,468,422	$ 20,711,343

The accompanying notes are an integral part of this statement.

POINTE COUPEE ELECTRIC MEMBERSHIP CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended June 30, 2023 and 2022

	2023	2022
NET MARGINS	$ (1,242,921)	$ 494,190
OTHER COMPREHENSIVE INCOME		
Recognized actuarial gains/losses, net periodic benefit cost & revaluation for postretirement benefit obligation (Note 14)	360,448	(832,601)
COMPREHENSIVE INCOME	$ (882,473)	$ (338,411)

The accompanying notes are an integral part of this statement.

POINTE COUPEE ELECTRIC MEMBERSHIP CORPORATION
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net margins	$ (1,242,921)	$ 494,190
Adjustments to reconcile net margins to net cash provided (used) by operating activities:		
Depreciation and amortization	1,688,408	1,620,476
Bad debts	14,090	22,794
(Increase) decrease in:		
Accounts receivable	(30,327)	(264,981)
Unbilled receivable	247,290	(1,458,360)
Prepaid expenses	10,745	(9,626)
Materials and supplies	(38,294)	(92,826)
Deferred debits	98,443	88,452
Right-of-use assets	(5,900)	-
Other current and accrued assets	149	174
(Decrease) increase in:		
Accounts payable	209,179	501,337
Other current and accrued liabilities	47,215	40,837
Total adjustments	2,240,998	448,277
Net Cash Provided (Used) by Operating Activities	998,077	942,467
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments in associated organizations	(58,901)	(62,069)
Proceeds from sale of investments	200,000	200,000
Construction and acquisition of plant	(6,362,882)	(6,717,051)
Purchase of investments	-	(200,000)
Net Cash Provided (Used) by Investing Activities	(6,221,783)	(6,779,120)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	12,650,000	6,350,000
Repayment of line of credit	(7,500,000)	(4,000,000)
Proceeds from long-term debt	1,776,000	4,950,000
Repayment of long-term debt	(1,387,254)	(1,178,135)
Increase (decrease) in:		
Memberships issued	(125)	25
Customer deposits	6,825	12,965
Net Cash Provided (Used) by Financing Activities	5,545,446	6,134,855
NET INCREASE (DECREASE) IN CASH	321,740	298,202
CASH AT BEGINNING OF YEAR	360,543	62,341
CASH AT END OF YEAR	$ 682,283	$ 360,543

Supplemental Disclosures

	2023	2022
Cash Paid During the Year for:		
Interest	$ 1,142,753	$ 868,804
Noncash Investing & Financing Activities:		
Increase (decrease) in compensated absences	6,334	6,968
Decrease (increase) in postretirement benefits	(360,447)	832,601

The accompanying notes are an integral part of this statement.

Note 1 - Summary of Significant Accounting Policies

A. Organization

Pointe Coupee Electric Membership Corporation (Cooperative) is an electric transmission and distribution cooperative. Its principal business activity is providing electric power to approximately 7,913 member-consumers over three parishes. The Cooperative is subject to the jurisdiction of the Louisiana Public Service Commission (LPSC) for ratemaking regulations.

B. Accounting and Records

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

C. Cash and Cash Equivalents

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

D. Short-Term Investments

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

E. Accounts Receivable

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

F. Inventory

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

G. Utility Plant

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

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

H. Investments in Associated Organizations

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

I. Income Taxes

The Cooperative is exempt from income taxes under Section 501 (c)(12) of the IRS Code, since it receives more the 85% of its income from members. The statute of limitations for the examination of the Cooperative's income tax returns is generally three years from the due date of the tax returns including extensions. The tax Form 990s are prepared on a calendar year basis. The tax years open for assessment are the years ending after December 31, 2019.

J. Revenue

Revenue is recognized based on monthly billings to consumers. The Cooperative accrues revenue related to energy consumed but not yet billed. The Cooperative's rates include a power cost adjustment clause (PCA), which enables the Cooperative to pass through to consumers all fuel charges and non-fuel charges in the cost of power. The Cooperative's rates, including the PCA must be approved by the LPSC, which also retains jurisdiction to review the cooperative's PCA periodically to ensure that costs comply with their power purchase contracts. In order to match power costs and related revenues, under-collected power costs to be billed to consumers and over-collected power costs to be returned to consumers in subsequent periods are recognized within the unbilled revenue receivable on the balance sheets and as an increase or decrease within the operating revenues on the statements of revenue and patronage capital. As of June 30, 2023 and 2022, the cooperative had under-collected power costs of $605,487 and $1,116,859, respectively.

K. Advertising Costs

Advertising costs are charged to operations when incurred. Total advertising expense for the years ended June 30, 2023 and 2022, was $8,878 and $6,126, respectively.

L. Use of Estimates

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

M. Reclassifications

Certain amounts as previously reported have been reclassified to conform to the June 30, 2023 presentation. The reclassifications had no effect on net margins or patronage capital.

Note 2 - Capitalization of Interest

The Cooperative's policy is to capitalize interest as a component of the cost of property, plant and equipment constructed for its own use with a contracted life of a year or more. The following is a schedule of interest components for the years ended June 30, 2023 and 2022:

	2023	2022
Interest capitalized	$ -0-	$ -0-
Interest deferred	-0-	-0-
Interest charged to operations	1,143,988	869,511
Total interest	$ 1,143,988	$ 869,511

Note 3 - Utility Plant

The following are the major classes of utility plant as of June 30, 2023 and 2022:

	2023	2022
Transmission plant	$ 6,414,079	$ 6,406,269
Distribution plant	47,547,617	44,488,023
General plant	3,998,419	3,954,415
Right-of-use assets (Note 8)	1,087,700	843,262
Utility plant in service	59,047,815	55,691,969
Construction work in progress	7,358,437	4,953,880
	$ 66,406,252	$ 60,645,849

Depreciation and amortization expense totaling $98,219 and $100,881 for the years ended June 30, 2023 and 2022, respectively, are included in various expense accounts based on allocation of work order costs in accordance with RUS guidelines. Annual average composite rates of depreciation used by the Cooperative during 2023 and 2022 are as follows:

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

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

Investments in associated organizations consist of the following as of June 30, 2023 and 2022:

	2023	2022
National Rural Utilities Cooperative Finance Corporation:		
Capital Term Certificates	$ 540,705	$ 540,705
Patronage Capital	177,202	182,792
Member Capital Securities	100,000	100,000
Membership Fee	1,000	1,000
Patronage Capital Certificates:		
Association of Louisiana Electric Cooperatives, Inc.	3,641	3,641
Federal Rural Electric Insurance Corporation	329,706	317,407
National Information Solutions Co-op	80,643	84,846
GRESCO- member fee	100	100
GRESCO	105,687	104,287
ERMCO – member fee	100	100
Co-Bank- member fee	1,000	1,000
Co-Bank	22,232	18,533
Arkansas Electric	173,237	121,941
	$ 1,535,253	1,476,352

The Cooperative has adopted Financial Accounting Standards Board (FASB) –Accounting Standards Codification (ASC) 320, “Accounting for Certain Investments in Debt and Equity Securities.” In accordance with FASB ASC 320, the Cooperative has classified all short-term investments as held-to-maturity. Held-to-maturity investments are stated at amortized cost as the cooperative has the ability and intent to hold these investments to maturity. The cost of investments sold is based on the specific identification method. There were no sales or transfers of investments classified as held-to-maturity during the years ended June 30, 2023 and 2022, respectively.

Short-term investments classified as held-to-maturity and their maturities were as follows:

At the balance sheet date of June 30, 2023:

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

Maturities of investments

	Amortized Cost	Fair Value
Less than one year	$ -0-	$ -0-

At the balance sheet date of June 30, 2022:

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

Maturities of investments

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

Note 5 - Long-Term Debt

Long-term debt consists of mortgage notes payable to RUS, NRUCFC, and The Federal Financing Bank (FFB). Notes payable to RUS consist of 3.7% to 5% mortgage notes payable in monthly and quarterly payments maturing in various years through 2041. Notes payable to NRUCFC consist of mortgage notes payable in quarterly payments bearing fixed interest rates of 4.36% to 7.15% maturing in various years through 2027. Notes Payable to FFB consists of mortgage notes payable in quarterly payments bearing fixed rates of 1.035% to 5.410% maturing in various years through 2046. It is estimated that principal payments to RUS, NRUCFC, and FFB in the next twelve months will be approximately $167,877, $178,801 and $1,075,737, respectively.

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

Agreements with mortgage lenders requires the Cooperative to maintain minimum financial covenant ratios of Tier and DSC of 1.25 and operating Tier and operating DSC of 1.10 (based on a best 2 of last 3-year average). During the calendar years ended December 31, 2022 and 2021, the Cooperative met its financial debt covenants.

The following schedule is a summary of outstanding loans as of June 30, 2023 and 2022..

	2023	2022
RUS Notes:		
5% notes due November 8, 2023	$ 4,416	$ 17,388
Fixed interest rate (3.70-4.78%) notes due July 3, 2041	4,234,183	4,386,341
FFB Notes:		
Fixed interest rate (1.035 - 5.41%) notes due December 31, 2046	23,687,282	22,963,700
NRUCFC Notes:		
Fixed interest rate (4.36 – 7.15%) notes due August 31, 2022 through March 1, 2027	517,738	687,445
Total	28,443,619	28,054,874
Less: current maturities of long-term debt	1,422,415	1,341,505
Total long-term debt	$ 27,021,204	$ 26,713,369

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

2024	$ 1,422,415
2025	1,435,003
2026	1,352,219
2027	1,314,036
2028	1,269,568
Thereafter	21,650,378
	$ 28,443,619

On July 27, 2017, the Board of Directors passed a resolution to make an application to RUS pursuant to 7 CFR Part 1710 for a guaranteed FFB loan in the approximate amount of $14,926,000 to be used in accordance with the provisions of CFR Part 1710 to finance construction of its facilities on the basis of its 2016-2022 Construction Work Plan. The financing shall bear a maturity date to cover an approximate period of twenty-nine years. It shall also be used to repay a short-term bridge loan borrowed for construction costs incurred prior to having the RUS available funds (see Note 6). During the years ended June 30, 2023 and 2022, the Cooperative borrowed $1,776,200 and $4,950,000 on the 2016-2022 work plan from RUS, respectively.

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

The Cooperative is allowed by RUS to amortize the prepayment over a defined period. See Note 9 for the current balance recognized within deferred debits as of June 30, 2023 and 2022, respectively. The NRUCFC loan funds were expended for purposes contemplated in the loan agreement on such loan. No other long-term loan fund advances from NRUCFC were received during the current or prior year.

Note 6 - Lines of Credit

The Cooperative has a line of credit of $2,500,000 with NRUCFC at June 30, 2023 and 2022 at a rate equal to the bank prime rate, plus one percent per annum (currently 7.00%), maturing April 7, 2025. As of June 30, 2023 and 2022, $2,500,000 and $900,000 was owed on the line of credit, respectively. The Cooperative has another line of credit of $5,000,000 with NRUCFC at June 30, 2023 at a rate equal to the bank prime rate, plus one percent per annum (currently 7.00%), maturing January 17, 2024. As of June 30, 2023, $5,000,000 was owed on the line of credit. The Cooperative also has a line of credit with Co-Bank in the amount of $2,000,000 for the years ended June 30, 2023 and 2022 at a weekly variable rate set by Co-Bank (currently 7.14%), maturing January 31, 2024. As of June 30, 2023 and 2022, $-0- and $1,450,000 was owed on this line of credit, respectively.

Note 7 - Patronage Capital

At June 30, 2023 and 2022, patronage capital consisted of:

	2023	2022
Assignable	$ (80,441)	$ 926,803
Assigned to date	19,671,587	18,952,882
Non-assignable non-operating	(122,724)	831,658
	$ 19,468,422	$ 20,711,343

Under the provisions of the Mortgage Agreement, until the equities and margins equal or exceed forty percent of the total assets of the Cooperative, the return to patrons of contributed capital is generally limited to twenty-five percent of the patronage capital or margins received by the Cooperative in the prior calendar year. The equities and margins of the Cooperative represent 35% of the total assets at June 30, 2023. No retirements of capital credits occurred in 2023 or 2022.

Note 8 - Leases

The Cooperative has adopted FASB ASC 842 to account for leases. The Cooperative is obligated under leases for 6 trucks that are accounted for as operating leases. At June 30, 2023 and 2022, the amount of right-of use assets was $1,087,700 and $843,262, respectively. These amounts are included in Electric Plant on the balance sheets. See Note 3. The operating lease liabilities are included on the balance sheets as either short-term or long-term liabilities. Annual lease costs are included on the statements of revenue and patronage capital as lease expense.

The following summarizes the weighted average remaining lease term and discount rate as of June 30:

	2023	2022
Weighted Average Remaining Lease Term:		
Operating leases	2.08 years	2.16 years
Weighted Average Discount Rate:		
Operating leases	4.73%	3.35%

Maturities of operating lease liabilities as of June 30, 2023 are as follows:

Year Ending June 30,	
2024	$ 224,627
2025	191,486
2026	107,083
2027	56,581
2028	-0-
Net minimum lease payments	579,777
Less: amount representing interest	16,580
Present value of lease liabilties	$ 563,197

The following summarizes cash flow information related to leases for the year ended June 30:

	2023	2022
Lease assets obtained in exchange for lease obligations:		
Operating leases	$ 408,260	$ 179,065

Note 9 - Deferred Debits and Other Assets

Following is a summary of amounts recorded as deferred debits as of June 30, 2023 and 2022.

	2023	2022
Disaster-related restoration (see Note 15)	$ 429,715	433,309
Preliminary survey & facility charges	4,419	10,760
RS pension prepayment (see Note 5)	575,305	663,813
	$ 1,009,439	$ 1,107,882

Note 10 - Pension Plan

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

The Cooperative makes annual contributions to the plan equal to the amounts accrued for pension expense. Total pension expense in these statements, which represented less than 5% of the total contributions made to the plan by all participating employers, for the years ended June 30, 2023 and 2022, was $644,093 and $619,800, respectively. There were no significant changes that affect the comparability of the 2023 and 2022 contributions.

In the RS Plan, a "zone status" determination in not required and, therefore, not determined under the Pension Protection Act (PPA) of 2006. Additionally, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 80% funded at January 1, 2023 and 2022 based on the PPA funding target and PPA actuarial value of assets on those dates. Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and can change as a result of plan experience.

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

Note 11 - Commitments

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

Note 12 - Contingency

The Cooperative is involved in no lawsuits at this current time.

Note 13 - Credit Risks

At various times during the year cash deposits with one banking institution exceeded the $250,000 coverage limit of protection offered by the Federal Deposit Insurance Corporation. Management monitors the financial condition of the institution on a regular basis in order to minimize the potential risk. At June 30, 2023 and 2022, uninsured cash balances totaled $481,917 and $237,190, respectively. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of members comprising the membership base and their dispersion across the geographic area.

A major portion of the Cooperative's workforce is covered by a collective bargaining agreement with the International Brotherhood of Electrical Workers Local 2286. This contract was negotiated for a three-year term beginning January 1, 2023 through December 31, 2025.

Note 14 - Postretirement Benefits Other Than Pensions

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

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

	2023	2022
Fair Value of plan assets at June 30	$ 6,116,438	$ 5,596,171
Accumulated Postretirement Benefit Obligation at June 30	(5,080,381)	(4,920,561)
Net Funded (Unfunded) Status at June 30	$ 1,036,057	$ 675,610

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

	2023	2022
Noncurrent Assets	$ 1,036,057	$ 675,610
Current Liabilities	-0-	-0-
Noncurrent Liabilities	-0-	-0-
Recognized in Net Financial Position	$ 1,036,057	$ 675,610

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

	2023	2022
Net Loss (Gain) on Assets	$ (520,267)	$ 1,079,465
Service Cost	218,506	214,650
Interest Cost	247,252	218,107
Net Amortization and Deferral	-0-	-0-
Net Periodic Postretirement Benefit Cost	$ (54,509)	$ 1,512,222

Assumptions:

Actuarial Cost Method – The valuation was performed using the Projected Unit Credit Method with the attribution period being the period from the participant's date of hire to the expected retirement date. The employer portion of the actuarial present value for retiree post-retirement benefits in future years is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the discount rate, mortality, and turnover.
Actuarial Value of Plan Assets – Actual market value of the assets.
Mortality – The RP-2000 Combined Mortality Table without projection was used. Projected future mortality improvement was not used.
Expected Time of Commencement of Benefits – It was assumed that employees retire at the earliest eligibility to receive retiree medical benefits which is the attainment of age 62 and completion of 10 years of service.
Turnover – An age-related turnover scale based on actual experience as described by administrative staff of the Cooperative was used. The rates, when applied to the active employee census, produce an annual turnover of approximately 5%.
Future Cost increase (Trend) Rate – The expected rate of increase in medical cost is based on a flat annual rate of 5.5%. Trend was not applied to the dental rates.
Investment Return Assumption and Discount Rate – The values in the "FTSE Pension Liability Index" (formerly the "Citigroup Pension Liability Index") as of the measurement date was used. The applicable discount rates used as of June 30, 2023 and 2022 were 4.92% and 4.48%, respectively.

Plan assets in the amount of $160,000 are expected to be returned to the employer within the next 12-month operating cycle for retiree costs. The cooperative expects to contribute $-0- into the trust in 2023-2024.

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

2023	$	160,000
2024		168,000
2025		176,400
2026		185,220
2027		194,481

Note 15 – Disaster-Related Reimbursements

On September 1, 2008, Hurricane Gustav hit Louisiana as a Category 2 hurricane and caused significant damage to the area and the Cooperative's electrical systems. The Cooperative's tri-parish region of Pointe Coupee, Iberville, and West Baton Rouge was hit particularly hard causing 100% power outages and considerable damages to the infrastructure. Eligible reimbursements from FEMA totaled $3,355,098 at a 90% coverage rate. Actual reimbursements received during the years ending June 30, 2023 and 2022 totaled $3,594 and $-0-, respectively. Upon final reimbursement, approval will be sought from RUS to account for the costs as a regulatory asset or capitalized and depreciated according to RUS guidelines.

On July 13, 2019, Hurricane Barry hit Louisiana as a Category 1 hurricane and caused damage and power outages to the Cooperative's electrical system. Eligible reimbursements from FEMA totaled $214,871 at a 90% coverage rate. Actual reimbursements received during the year ending June 30, 2023 and 2022 totaled $-0- and $-0-, respectively.

On August 27, 2020, Hurricane Laura hit Louisiana as a Category 4 hurricane and caused damage and power outages to the Cooperative's electrical system. Eligible reimbursements from FEMA totaled $250,306 at a 90% coverage rate. Actual reimbursements received during the year ending June 30, 2023 and 2022 totaled $648 and $2,593, respectively.

On October 9, 2020, Hurricane Delta hit Louisiana as a Category 4 hurricane and caused damage and power outages to the Cooperative's electrical system. Eligible reimbursements from FEMA totaled $769,971 at a 90% coverage rate. Actual reimbursements received during the year ending June 30, 2023 and 2022 totaled $-0- and $21,634, respectively.

On August 29, 2021, Hurricane Ida hit Louisiana as a Category 4 hurricane and caused damage and power outages to the Cooperative's electrical system. Eligible reimbursements from FEMA totaled $485,327 at a 100% coverage rate and $221,570 at a 90% coverage rate. Actual reimbursements received during the year ending June 30, 2023 and 2022 totaled $173,380 and $378,213, respectively.

Note 16 – Subsequent Events

Management has performed an evaluation of the Cooperative's activities through September 24, 2023, and has concluded that there are no significant subsequent events requiring recognition or disclosure through the date and time these financial statements were available to be issued on September 24, 2023.

POINTE COUPEE ELECTRIC MEMBERSHIP CORPORATION
SUPPLEMENTAL INFORMATION
JUNE 30, 2023

POINTE COUPEE ELECTRIC MEMBERSHIP CORPORATION

Schedule of Compensation, Benefits, and Other Payments to Agency Head

For the Year Ended June 30, 2023

AGENCY HEAD NAME: Myron Lambert, General Manager

PURPOSE	**AMOUNT**
Salary	$ -
Benefits - insurance	-
Benefits - retirement	-
	$ -

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

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

Mark A. David, CPA, PC
John S. Disotell III, CPA, PC

John L. Morrison III, CPA, CGMA, PC
Of Counsel

Van P. Major, CPA (1951-2005)

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Pointe Coupee Electric Membership Corporation (a Cooperative), which comprise the balance sheets as of June 30, 2023 and 2022, and the related statements of revenue and patronage capital, comprehensive income, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated September 24, 2023.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, nor detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pointe Coupee Electric Membership Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not

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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.

Major, Morrison & David
New Roads, Louisiana
September 24, 2023

P.O. Box 190 New Roads, LA 70760 • Office 225.638.4531 • Fax 225.638.6898