

**LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE  
ASSOCIATION AND SUBSIDIARY  
HOUMA, LOUISIANA**

Audits of Consolidated Financial Statements

December 31, 2019 and 2018



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**LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION  
AND SUBSIDIARY  
Houma, Louisiana  
Directors, Officers, and Management  
December 31, 2019**

**Directors**

<b>Name</b>	<b>Address</b>	<b>Principal Business</b>
Eroy Acosta	Stephensville, Louisiana	Retired
Trevor Benoit	Amelia, Louisiana	Semi-Retired - Transportation
Roger Dale Dehart	Theriot, Louisiana	Retired
Larry J. Daigle	Gray, Louisiana	Retired
Alexander Doyle	Houma, Louisiana	Retired
J. D. Boudreaux	Donner, Louisiana	Retired
David Luke	Houma, Louisiana	Self-Employed
Brian Rivet	Gheens, Louisiana	Self-Employed
Terry Trahan	Bayou Black, Louisiana	Retired

**Advisor to the Board**

Lloyd Gibson

**Officers and Management**

Alexander Doyle	President
David Luke	Vice-President
Brian Rivet	Secretary
Terry Trahan	Treasurer
Joe Ticheli	General Manager

## **Independent Auditor's Report**

The Board of Directors  
South Louisiana Electric Cooperative Association and Subsidiary  
Houma, Louisiana

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Louisiana 8 Terrebonne South Louisiana Electric Cooperative Association (Cooperative) and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2019 and 2018 and the related consolidated statements of revenue and expenses, equities and margins, and cash flows for the years then ended, and the related notes to the financial statements (collectively, 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**

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Total Environmental Solutions, Inc., a wholly-owned subsidiary, which statements reflect total assets of \$10,554,231 and \$9,508,775 as of December 31, 2019 and 2018, respectively, and total revenues of \$10,482,764 and \$9,992,712, respectively, for the years then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Total Environmental Solutions, Inc., is based solely on the report of the other auditors. We conducted our audit in accordance with 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. Those standards require that we 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, we 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.

## **LOUISIANA • TEXAS**

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Louisiana 8 Terrebonne South Louisiana Electric Cooperative Association and Subsidiary as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2020, on our consideration of the Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Cooperative's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cooperative's internal control over financial reporting and compliance.

A handwritten signature in cursive script, appearing to read "LaForte".

A Professional Accounting Corporation

Houma, LA  
July 15, 2020

**LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION  
AND SUBSIDIARY  
Houma, Louisiana  
Consolidated Balance Sheets  
December 31, 2019 and 2018**

	2019	2018
<b>Assets</b>		
<b>Utility Plant</b>		
Electric Plant in Service	\$ 130,650,726	\$ 129,283,909
Construction Work in Progress	4,970,982	2,280,806
Water and Waste Water Plant in Service	18,687,976	16,573,852
	<u>154,309,684</u>	<u>148,138,567</u>
Less: Accumulated Depreciation	(54,605,029)	(54,013,327)
<b>Net Utility Plant</b>	<u>99,704,655</u>	<u>94,125,240</u>
<b>Investments in Associated Organizations</b>	<u>3,239,842</u>	<u>2,808,653</u>
<b>Current Assets</b>		
Cash and Cash Equivalents	73,458	1,721,540
Accounts Receivable		
Consumers, Less Allowance for		
Doubtful Accounts of \$351,588		
in 2019; \$324,211 in 2018	3,680,553	4,221,072
Accrued Unbilled Revenue	2,461,029	2,482,891
Other Accounts Receivable	1,627,941	205,709
Materials and Supplies Inventories	1,624,563	1,506,185
Prepayments	652,291	656,913
<b>Total Current Assets</b>	<u>10,119,835</u>	<u>10,794,310</u>
<b>Other Assets</b>		
Deferred Charges, Net of Amortization	4,374,744	443,926
Other Assets	2,157	383,640
<b>Total Other Assets</b>	<u>4,376,901</u>	<u>827,566</u>
<b>Total Assets</b>	<u>\$ 117,441,233</u>	<u>\$ 108,555,769</u>

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

**LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION  
AND SUBSIDIARY  
Houma, Louisiana  
Consolidated Balance Sheets (Continued)  
December 31, 2019 and 2018**

	2019	2018
<b>Liabilities and Other Credits</b>		
<b>Equities and Margins</b>		
Memberships	\$ 83,845	\$ 84,025
Patronage Capital	46,958,523	45,933,442
Other Equities (Deficits)	2,287,788	1,579,268
Accumulated Other Comprehensive Loss	(5,853,100)	(5,853,100)
<b>Total Equities and Margins</b>	<b>43,477,056</b>	<b>41,743,635</b>
<b>Long-Term Obligations, Net of</b>		
<b>Current Maturities</b>		
Notes and Capital Leases Payable, Less		
Current Maturities	37,407,655	36,899,928
Deferred Interest Payable	-	13,363
<b>Long-Term Obligations, Net</b>	<b>37,407,655</b>	<b>36,913,291</b>
<b>Current Liabilities</b>		
Checks in Excess of Bank Balances	247,862	-
Current Maturities of		
Long-Term Obligations	1,095,074	1,178,568
Lines of Credit	2,314,200	1,725,000
Accounts Payable		
Purchased Power	5,179,380	3,630,361
Other	1,635,387	1,322,795
Consumer Deposits	1,996,126	1,956,107
Income Taxes Payable	20,000	-
Accrued Expenses and Other Liabilities	1,337,944	1,343,068
Accumulated Employee Benefit Liability	848,477	615,128
<b>Total Current Liabilities</b>	<b>14,674,450</b>	<b>11,771,027</b>
<b>Other Liabilities</b>		
Deferred Income Taxes	515,000	594,000
Accumulated Employee Benefit Liability	21,367,072	17,533,816
<b>Total Other Liabilities</b>	<b>21,882,072</b>	<b>18,127,816</b>
<b>Total Liabilities</b>	<b>73,964,177</b>	<b>66,812,134</b>
<b>Total Liabilities and Other Credits</b>	<b>\$ 117,441,233</b>	<b>\$ 108,555,769</b>

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

**LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION  
AND SUBSIDIARY  
Houma, Louisiana  
Consolidated Statements of Revenue and Expenses  
For the Years Ended December 31, 2019 and 2018**

	2019	2018
<b>Operating Revenue</b>	<b>\$ 61,946,064</b>	<b>\$ 62,379,283</b>
<b>Operating Expenses</b>		
Cost of Power	33,945,247	34,486,991
Distribution Expense	2,740,378	2,763,950
Consumer Account Expense	1,825,564	1,825,606
Customer Sales and Service	466,519	540,018
Depreciation and Amortization	3,507,831	3,478,023
Water and Waste Water Expenses	7,403,651	6,822,799
Other Operating Expenses	12,422	10,126
Taxes	1,331,871	1,252,237
Maintenance		
Distribution and Transmission System	2,791,128	3,164,221
General Plant	232,634	259,507
Administrative and General		
General Office Salaries and Benefits	1,540,149	1,578,057
Property and Liability Insurance	131,323	131,534
Special Services	257,774	235,063
Office Supplies and Expense	361,070	410,224
National, State, and Local Meetings - Directors and Employees	93,135	125,752
Dues and Subscriptions	193,445	183,837
Water and Waste Water Expenses	2,080,233	2,080,774
Miscellaneous	96,238	101,513
<b>Total Operating Expenses</b>	<b>59,010,612</b>	<b>59,450,232</b>
<b>Operating Margins</b>	<b>2,935,452</b>	<b>2,929,051</b>
<b>Interest Expense</b>	<b>1,503,449</b>	<b>1,563,417</b>
<b>Net Operating Margins</b>	<b>1,432,003</b>	<b>1,365,634</b>
<b>Non-Operating Margins</b>		
Interest Income	66,749	75,695
Gain on Disposition/Retirement of Property	63,769	5,800
Other Non-Operating Income, Net	273,545	203,873
Cooperative Capital Credits - CFC	126,563	164,427
<b>Total Non-Operating Margins</b>	<b>530,626</b>	<b>449,795</b>
<b>Net Margins Before Income Tax</b>	<b>1,962,629</b>	<b>1,815,429</b>
<b>Income Taxes</b>		
Income Tax Expense	229,028	281,000
<b>Net Margins</b>	<b>\$ 1,733,601</b>	<b>\$ 1,534,429</b>

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



**LOUISIANA 8 TERREBONNE**  
**SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION**  
**AND SUBSIDIARY**  
 Houma, Louisiana  
**Consolidated Statements of Equities and Margins**  
**For the Years Ended December 31, 2019 and 2018**

	<b>Memberships</b>	<b>Patronage Capital</b>	<b>Other Equities</b>	<b>Accumulated Other Comprehensive Loss</b>	<b>Total Equities and Margins</b>
<b>Balances at December 31, 2017</b>	\$ 83,710	\$ 45,109,534	\$ 868,747	\$ (5,853,100)	\$ 40,208,891
Change in Memberships	315	-	-	-	315
Net Margins for the Year	-	823,908	710,521	-	1,534,429
<b>Balances at December 31, 2018</b>	84,025	45,933,442	1,579,268	(5,853,100)	41,743,635
Change in Memberships	(180)	-	-	-	(180)
Net Margins for the Year	-	1,025,081	708,520	-	1,733,601
<b>Balances at December 31, 2019</b>	<u>\$ 83,845</u>	<u>\$ 46,958,523</u>	<u>\$ 2,287,788</u>	<u>\$ (5,853,100)</u>	<u>\$ 43,477,056</u>

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

**LOUISIANA 8 TERREBONNE**  
**SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY**  
**Houma, Louisiana**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended December 31, 2019 and 2018**

	2019	2018
<b>Cash Flows from Operating Activities</b>		
Net Margins	\$ 1,733,601	\$ 1,534,429
Adjustments to Reconcile Net Margins to Net		
Cash Provided by Operating Activities		
Provision for Depreciation and Undepreciated		
Costs on Utility Plant Retirements	4,262,300	4,189,726
Provision for Uncollectible Accounts	107,835	319,398
Bad Debt Expense	60,663	-
Provision for Amortization	120,054	80,036
Gain on Sale of Assets	(63,769)	(5,800)
Deferred Income Tax (Benefit) Expense	(79,000)	133,000
Changes in Operating Assets and Liabilities		
Current Assets	2,035,627	(1,049,591)
Current Liabilities	245,752	(242,187)
Customer Deposits	40,019	67,141
<b>Net Cash Provided by Operating Activities</b>	<b>8,463,082</b>	<b>5,026,152</b>
<b>Cash Flows from Investing Activities</b>		
Construction Expenditures for Utility Plant	(11,973,095)	(6,833,922)
Proceeds from Sale of Assets	67,473	6,800
Patronage Distributions Received	79,412	-
Purchases of Investments	(4,826)	-
Proceeds from Contributions in Aid of Construction	706,619	587,822
<b>Net Cash Used in Investing Activities</b>	<b>(11,124,417)</b>	<b>(6,239,300)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from Issuance of Debt	500,000	-
(Decrease) Increase in Membership and Other Equities	(180)	315
Increase in Short-Term Borrowings, Net	1,589,200	250,087
Retirement of Long-Term Debt	(1,075,767)	(1,728,764)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>1,013,253</b>	<b>(1,478,362)</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(1,648,082)</b>	<b>(2,691,510)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>1,721,540</b>	<b>4,413,050</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 73,458</b>	<b>\$ 1,721,540</b>

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

**LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY  
Houma, Louisiana**

**Notes to Consolidated Financial Statements**

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**Note 1. Summary of Significant Accounting Policies**

The following accounting policies and financial information of Louisiana 8 Terrebonne South Louisiana Electric Cooperative Association (the Cooperative) are set forth to facilitate the understanding of data presented in the financial statements.

**Organization and Jurisdiction**

The Cooperative was chartered in 1939 to provide electric service to rural member customers. At December 31, 2019, the Cooperative had approximately 1,500 miles of line serving approximately 17,000 members in a five parish area of South Louisiana. The Cooperative is subject to certain rules and regulations promulgated for rural electric borrowers by the Rural Utilities Service (RUS) and is also subject to the jurisdiction of the Louisiana Public Service Commission (LPSC). The Cooperative's accounting policies conform to generally accepted accounting principles as applied in the case of Rural Electric Cooperatives.

Total Environmental Solutions, Inc. (TESI) is a wholly-owned subsidiary of the Cooperative. TESI provides water and waste water services to customers in Louisiana, North Carolina, and South Carolina, and is regulated by the public service commission of these states.

**Consolidation**

The consolidated financial statements include the accounts of the Cooperative and its wholly-owned subsidiary, TESI. Intercompany transactions and balances have been eliminated in consolidation.

**Utility Plant and Other Property**

The Cooperative's cost associated with electric plant additions and improvements are capitalized based upon the RUS guidelines established in Bulletin 1767B-2. This results in the capitalization of direct costs such as labor and materials expense and also includes capitalization of indirect costs including labor, material charges, taxes, insurance, transportation, depreciation, pensions, and other related expenses. These costs are accumulated in work-in-progress accounts and are capitalized to the proper plant accounts at the completion of the construction activity. The costs of depreciable property, when retired, is computed at the average unit cost along with removal costs less salvage. The net retirement cost is charged to accumulated depreciation. Maintenance and repairs, including minor items of property, are charged to maintenance expense as incurred.

Depreciation is computed using the straight-line method over the expected useful lines of the related assets.

TESI's property is stated at cost, less accumulated depreciation. All property recorded is included in the determination of rates. Depreciation expense is computed principally by the straight-line method over the estimated useful lives of depreciable assets for financial statement purposes, whereas accelerated methods are used for income tax purposes. Gains and losses on asset sales or dispositions are reflected in the statement of revenue and expenses.

**LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY  
Houma, Louisiana**

**Notes to Consolidated Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**Investments in Associated Organizations**

Investments in associated organizations include patronage capital and NRUCFC capital term certificates. Patronage capital is recorded at cost plus undistributed patronage capital allocations. NRUCFC capital term certificates are carried at cost.

**Cash Equivalents**

For purposes of the statements of cash flows, the Cooperative considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Accounts Receivable**

*Consumers Receivable*

The Cooperative extends credit to its customers who are primarily located in south Louisiana. The Cooperative does not require collateral on its receivables; however, a deposit is collected from customers which may be used to satisfy outstanding receivables. Trade receivables are carried at original invoice amounts less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Trade receivables do not accrue interest. Trade receivables are written-off when deemed uncollectible. Recoveries of trade receivables previously written-off are recorded when received.

*Accrued Unbilled Revenue*

Accrued unbilled revenue consists of a system generated estimate of usage for the period not yet billed by the Cooperative. This estimate is calculated by the prior month and historical usage for the year.

*Other Accounts Receivable*

The Cooperative incurred approximately \$1.4 million in 2019 as a result of a declared disaster and has requested reimbursement from the Federal Emergency Management Agency (FEMA) as part of FEMA's disaster grant program. This amount is expected to be collected in the next twelve months and is included other accounts receivable as of December 31, 2019.

**Materials and Supplies Inventories**

Materials and supplies inventories are stated at the lower of weighted average cost or net realizable value, and includes materials consisting of poles, lights, and other materials and supplies used in repairs during the period.

**LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY  
Houma, Louisiana**

**Notes to Consolidated Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**Deferred Charges, Net of Amortization**

The Cooperative and TESI record assets that result from the regulated ratemaking process that would not be recorded under generally accepted accounting principles for non-regulated entities.

In accordance with LPSC Order Number S-32362, the Cooperative defers OPEB costs in excess of amounts amortizable under the pay-as-you-go method of accounting. Amounts not allowable as an expense under the LPSC order are included on the balance sheets as deferred charges.

TESI has recorded deferred charges for amortizable professional fees incurred relating to the rate applications and proceedings to establish increased rates for wastewater services. These fees are amortized over a three year period, beginning May 1, 2018, the date the increased rates were voted on and approved by the LPSC.

**Revenue and Cost Recognition**

The Cooperative recognizes revenues based on services rendered to customers during the year. This includes services on cycle-billings, which are not billed at year's end.

The Cooperative's tariffs for electric service include power cost adjustment clauses under which billings to customers are adjusted to reflect changes in the cost of purchased power. In order to match power cost and related revenues, underbilled power cost to be billed to customers in subsequent periods is recognized as a current asset and as an increase in operating revenues. Overbilled power cost to be credited to consumers in subsequent periods is recognized as a current liability and as a decrease in operating revenues.

**Income Taxes**

The Cooperative is a nonprofit organization. An exemption from federal income taxes has been obtained from the Internal Revenue Service. Over 85% of the income is received from members of the Cooperative; therefore, no federal taxes are due. The Cooperative has not identified any uncertain tax positions that would jeopardize its status as tax-exempt.

The Cooperative's wholly-owned subsidiary, TESI, is taxed as a corporation for income tax purposes. TESI accounts for income taxes using the asset and liability method. Temporary differences occur between the financial reporting and tax bases of assets and liabilities. Deferred tax assets and liabilities are recognized for these differences based on enacted tax rates and laws that will be in effect when the differences are expected to reverse. TESI follows the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10, *Accounting for Uncertainty in Income Taxes*. Management has determined that there was no impact to TESI's financial statements as a result of ASC 740-10. TESI's open audit periods are 2016 through 2019.

**LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY  
Houma, Louisiana**

**Notes to Consolidated Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**Advertising Costs**

Advertising costs are charged to operations when incurred. Advertising costs incurred and charged to operations were \$165,667 and \$179,246 for the years ended December 31, 2019 and 2018, respectively.

**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.

**Recent Accounting Pronouncements**

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), to supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than required under existing U.S. GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each performance obligation.

ASU 2014-09 will be effective for annual reporting periods beginning after December 15, 2019 using either of two methods: (a) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09; or (b) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined in ASU 2014-09. The Company is utilizing a comprehensive approach to assess the impact of the guidance on each of its operating segments' revenue streams, including assessment of performance obligations, principal versus agent considerations, and variable consideration. Additionally, the Company is evaluating the impact of the new guidance on disclosures, as well as the impact on controls to support the recognition. Based on the foregoing, at the current time the Company does not anticipate this standard will have a material impact on its financial statements.

**LOUISIANA 8 TERREBONNE**  
**SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY**  
Houma, Louisiana

**Notes to Consolidated Financial Statements**

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**Note 2. Utility Plant**

The following are the major classes of the utility plant as of December 31, 2019 and 2018:

	2019	2018
Distribution Plant	\$ 113,801,094	\$ 112,084,017
Transmission Plant	7,617,570	7,697,930
General Plant	9,232,062	9,501,962
Water and Waste Water Plant	18,687,976	16,573,852
	<u>149,338,702</u>	<u>145,857,761</u>
Construction Work in Progress	4,970,982	2,280,806
<b>Total</b>	<b><u>\$ 154,309,684</u></b>	<b><u>\$ 148,138,567</u></b>

Depreciation is computed using the straight-line method at the following rates:

Distribution Plant	3.22%
Transmission Plant	2.75%
Water and Waste Water Plant	2.5% - 5.0%
General Plant	
Office Furniture and Equipment	6.0% - 10.0%
Transportation	10.0% - 33.3%
Structure and Improvements	2.40%

Depreciation expense was \$4,262,300 and \$4,189,726 for 2019 and 2018, respectively. Essentially all property has been pledged to collateralize debt. See Note 8.

**Note 3. Investments in Associated Organizations**

Investments in Associated Organizations as of December 31<sup>st</sup>:

	2019	2018
Patronage Capital Credits from CFC	\$ 773,391	\$ 402,993
Investment in Capital Term Certificates of CFC	1,494,579	1,494,579
Other Investments in Cooperatives	<u>971,872</u>	<u>911,081</u>
<b>Total</b>	<b><u>\$ 3,239,842</u></b>	<b><u>\$ 2,808,653</u></b>

**LOUISIANA 8 TERREBONNE**  
**SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY**  
Houma, Louisiana

**Notes to Consolidated Financial Statements**

**Note 3. Investments in Associated Organizations (Continued)**

Capital term certificates include investments in NRUCF capital term certificates and loan term certificates. Capital term certificates bear interest at 5% and begin maturing in the year 2070; and loan term certificates bear interest at 3% and begin maturing in the year 2020.

**Note 4. Accounts Receivable Consumers**

Accounts receivable consumers at December 31, 2019 and 2018, consisted of the following:

	Accounts Receivable	Allowance	Accounts Receivable Net
<b>2019</b>			
Electric Consumers - Cooperative	\$ 3,275,123	\$ 156,388	\$ 3,118,735
Water and Wastewater Consumers - TESI	757,018	195,200	561,818
<b>Total</b>	<b>\$ 4,032,141</b>	<b>\$ 351,588</b>	<b>\$ 3,680,553</b>
<b>2018</b>			
Electric Consumers - Cooperative	\$ 3,726,031	\$ 166,861	\$ 3,559,170
Water and Wastewater Consumers - TESI	819,252	157,350	661,902
<b>Total</b>	<b>\$ 4,545,283</b>	<b>\$ 324,211</b>	<b>\$ 4,221,072</b>

**Note 5. Details of Patronage Capital**

	2019	2018
Assignable	\$ (1,346,437)	\$ (2,371,518)
Assigned	48,304,960	48,304,960
<b>Total</b>	<b>\$ 46,958,523</b>	<b>\$ 45,933,442</b>

Under the provisions of the Mortgage Agreement, until the equities and margins equal or exceed 40 percent of the total assets of the Cooperative, the return to patrons of capital contributed by them is limited generally to 25 percent of the patronage capital or margins received by the Cooperative in the prior calendar year. The equities and margins of the Cooperative represent 37% and 38% of the total assets at December 31, 2019 and 2018, respectively.



**LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY  
Houma, Louisiana**

**Notes to Consolidated Financial Statements**

**Note 6. Details of Other Equities**

	2019	2018
Retained Capital Credit Gain	\$ 183,282	\$ 183,282
Capital Gains and Losses	5,986	5,986
Donated Capital	6,761	6,761
Acquisition Adjustment and Equity in Undistributed Earnings of Subsidiary	2,091,759	1,383,239
<b>Total</b>	<b>\$ 2,287,788</b>	<b>\$ 1,579,268</b>

**Note 7. Lines of Credit and Letter of Credit**

At December 31, 2019 and 2018, the Cooperative had lines of credit as follows:

	2019	2018
Cooperative		
\$5,000,000 line of credit with CoBank, variable interest only payments (3.90% at December 31, 2019). The line is unsecured.	\$ 1,839,200	\$ -
TESI		
CoBank issued TESI a line of credit in the amount of \$1,194,600 with a maturity date of August 31, 2020 and bearing interest at 3.79%. The line of credit is secured by real property of TESI.	475,000	1,725,000
<b>Total</b>	<b>\$ 2,314,200</b>	<b>\$ 1,725,000</b>

The Cooperative's loan agreement above includes financial covenants including requirements to meet certain ratio calculations and delivery timing. At December 31, 2019, the Company was in compliance with the financial covenants. At December 31, 2019 the Company was not in compliance with the loan covenant regarding delivery of the financial statements within 120 days due to delays caused by the coronavirus outbreak as discussed in Note 17. The lender has waived the covenant by providing an additional 90 days for delivery.

CoBank issued TESI irrevocable letters of credit, maturing at various dates through February 2021, in the amount of \$1,105,400 for the purpose of supporting TESI's obligation for certain modified consent decrees.

**LOUISIANA 8 TERREBONNE**  
**SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY**  
Houma, Louisiana

**Notes to Consolidated Financial Statements**

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**Note 8. Long-Term Obligations**

Long-term debt as of December 31, 2019 and 2018 follows:

	2019	2018
Cooperative		
Rural Utilities Services, 2.16% to 5% mortgage notes, due in quarterly principal and interest installments of approximately \$594,000 through 2046.	\$ 32,860,676	\$ 33,784,387
National Rural Utilities Cooperative Finance Corporation, 4.35% to 5.6% mortgage notes, due in quarterly principal and interest installments of approximately \$102,000 through 2036.	4,142,053	4,294,109
TESI		
CoBank issued TESI a multiple advance term loan in the amount of \$1,500,000 with a maturity date of June 30, 2021 and bearing a variable interest rate. (4.29% at December 31, 2019).	1,500,000	-
Total Long-Term Debt	38,502,729	38,078,496
Less: Current Maturities of Long-Term Debt	(1,095,074)	(1,178,568)
<b>Total Long-Term Debt, Net of Current Maturities</b>	<b>\$ 37,407,655</b>	<b>\$ 36,899,928</b>

Substantially all of the Cooperative's utility plant is pledged as collateral under the various mortgage notes. TESI's note is secured by real property of TESI.

The Cooperative follows the policy of capitalizing interest as a component of the cost of property, plant, and equipment constructed for its own use. In 2019 and 2018, respectively, total interest incurred was \$1,503,449 and \$1,563,417, of which all was charged to operations.

**LOUISIANA 8 TERREBONNE**  
**SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY**  
Houma, Louisiana

**Notes to Consolidated Financial Statements**

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**Note 8. Long-Term Obligations (Continued)**

Scheduled maturities of long-term debt as of December 31, 2019 for each of the next five years and thereafter are as follows:

<u>Year Ending,</u>	
2020	\$ 1,095,074
2021	2,633,887
2022	1,173,919
2023	1,215,398
2024	1,215,398
2025 and Thereafter	<u>31,169,053</u>
<b>Total</b>	<b><u>\$ 38,502,729</u></b>

**Note 9. Provision for Income Taxes**

TESI's provision (benefit) for income taxes consisted of the following:

**2019**

<b>Current Income Tax Provision</b>	
Federal Income Tax	\$ 269,595
State Income Tax	<u>38,433</u>
<b>Total Current Income Tax</b>	<b>308,028</b>
<b>Deferred Income Tax Provision</b>	<u><b>(79,000)</b></u>
<b>Total Provision (Benefit) for Income Taxes</b>	<b><u>\$ 229,028</u></b>

**2018**

Current Income Tax Provision	
Federal Income Tax	\$ 108,000
State Income Tax	<u>40,000</u>
Total Current Income Tax	148,000
Deferred Income Tax Provision	<u>133,000</u>
Total Provision (Benefit) for Income Taxes	<b><u>\$ 281,000</u></b>

**LOUISIANA 8 TERREBONNE**  
**SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY**  
Houma, Louisiana

**Notes to Consolidated Financial Statements**

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**Note 9. Provision for Income Taxes (Continued)**

TESI's tax effects of temporary differences that give rise to significant portions of the deferred tax asset (liability) are as follows:

	2019	2018
<b>Noncurrent Net Deferred Tax Liability</b>		
Allowance for Doubtful Accounts	\$ 49,000	\$ 39,000
Depreciation - Difference in Method	(576,500)	(645,500)
Deferred Contingency	12,500	12,500
<b>Total Noncurrent Deferred Tax Liability</b>	<b>\$ (515,000)</b>	<b>\$ (594,000)</b>

TESI's effective tax rate differs from what would be expected if the federal statutory rates were applied to income before income taxes primarily because of certain expenses deductible for financial reporting purposes that are not deductible for tax purposes.

**Note 10. Deferred Charges**

The following is a summary of amounts recorded as deferred charges as of December 31, 2019 and 2018:

	2019	2018
Deferred Postretirement Benefits	\$ 4,191,777	\$ 125,172
Professional Fees - Rate Applications (TESI)	160,072	280,126
Survey Costs	22,895	38,628
<b>Deferred Charges</b>	<b>\$ 4,374,744</b>	<b>\$ 443,926</b>

As of December 31, 2019 and 2018, respectively, TESI's deferred charges totaled \$160,072 and \$280,126, net of amortization.

Accumulated amortization totals \$200,090 and \$80,036 at December 31, 2019 and 2018, respectively. Amortization expense was \$120,054 and \$80,036 for 2019 and 2018, respectively.

**LOUISIANA 8 TERREBONNE**  
**SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY**  
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**Notes to Consolidated Financial Statements**

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**Note 11. Employee Retirement Benefits**

**NRECA Retirement and Security Program**

Substantially all of the Cooperative's employees participate in the National Rural Electric Cooperative Association (NRECA) Retirement and Security Program (RS Plan). The program is a multi-employer defined benefit master 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. The basic benefit payable upon attainment of the normal retirement age is based on the highest five-year average of the base compensation during the last ten years of participation. Normal retirement age can be 62, or the earlier of age 62 or any age with thirty years of participation, as elected by the system. Benefits derived from employee contributions are fully vested. A portion of the benefits provided by system contributions is vested, increased at 10% a year after the first year of service to 100% after five-years of service or at age 55.

A unique characteristic of a multi-employer 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 actuarial cost method used to determine the Cooperative's contributions necessary to meet ERISA funding requirements is the entry age normal cost method. The Cooperative made annual contributions to the RS Plan equal to the amounts accrued for pension expense. The Cooperative's pension contributions under this plan for 2019 and 2018 were \$1,698,953 and \$1,785,418, respectively, of which a portion was capitalized to construction work in progress based on payroll costs. This represents less than five percent of the total contributions made to the RS Plan by all participating employers. There have been no significant changes that affect the comparability of 2019 and 2018 contributions.

For the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2016. 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% funded on January 1, 2019, and over 80% funded on January 1, 2018, 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 contributions requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

**LOUISIANA 8 TERREBONNE**  
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**Notes to Consolidated Financial Statements**

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**Note 11. Employee Retirement Benefits (Continued)**

**SelectRE Pension Plan (401k Savings Plan)**

The 401k Savings Plan is a multi-employer defined contribution master pension plan. The Cooperative matches employee contributions up to 3% of an employee's annual base compensation. The Cooperative's pension contribution under the 401k Savings Plan for 2019 and 2018 was \$159,015 and \$151,915, respectively, of which a portion was capitalized to construction work in progress based on payroll costs.

**Postretirement Health Care**

The Cooperative also provides certain medical and dental benefits for retired employees and directors. The Cooperative pays the cost for retired employees as follows: years of service 8 through 15 - 25%; years 16 through 20 - 50%; years 21 through 25 - 75%; and greater than 26 years of service - 100%.

The Cooperative funds these benefits on a pay-as-you-go basis. Benefits paid under the plan amounted to \$921,254 and \$578,800 for the years ended December 31, 2019 and 2018, respectively.

A summary of the components of the net periodic postretirement benefit cost for the years ended December 31, 2019 and 2018 follows:

	2019	2018
Service Cost - Benefits Earned During the Period	\$ 439,344	\$ 513,100
Interest Cost	830,495	811,100
Amortization of Actuarial Loss	416,224	179,700
Net Periodic Postretirement Benefit Cost	<u>\$ 1,686,063</u>	<u>\$ 1,503,900</u>

The funded status of the Cooperative's postretirement plan is as follows at December 31, 2019 and 2018:

	2019	2018
Accumulated Postretirement Benefit Obligation (APBO)	\$ 22,215,549	\$ 17,533,816
Fair Value of Plan Assets	-	-
Excess of APBO over Fair Value of Plan Assets	<u>\$ 22,215,549</u>	<u>\$ 17,533,816</u>

**LOUISIANA 8 TERREBONNE**  
**SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY**  
Houma, Louisiana

**Notes to Consolidated Financial Statements**

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**Note 11. Employee Retirement Benefits (Continued)**

**Postretirement Health Care (Continued)**

Amounts not yet recognized as components of postretirement benefit cost at December 31, are reported in the financial statements as follows:

	2019	2018
Accumulated Other Comprehensive Loss	\$ (5,853,100)	\$ (5,853,100)
Deferred Charges	(4,191,777)	(125,172)
Total	<u>\$ (10,044,877)</u>	<u>\$ (5,978,272)</u>

The assumed healthcare cost trend rate used in measuring the APBO for 2019 was 6.6% and decreases at a rate of approximately 0.25% per year to an ultimate rate of 5.0% in 2026. The assumed discount rate used in measuring the APBO was 3.65% and 4.60% for 2019 and 2018, respectively.

Benefits expected to be paid in each of the next five years, and in the aggregate for the next five years thereafter, are estimated as follows:

2020	\$ 848,477
2021	\$ 929,158
2022	\$ 1,048,955
2023	\$ 1,045,580
2024	\$ 1,068,996
Aggregate for the Five Years Thereafter	\$ 5,547,466

**Note 12. Rates and Regulation**

In 1989, the Louisiana Supreme Court ruled that the LPSC has plenary authority over all rural electric cooperatives in the state. In June 2000, the Cooperative's rate schedules were filed with LPSC.

**LOUISIANA 8 TERREBONNE**  
**SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY**  
**Houma, Louisiana**

**Notes to Consolidated Financial Statements**

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**Note 13. Contingencies**

Several suits and claims arising in the ordinary course of operations are pending against TESI. The majority of these claims are covered by insurance or other defenses.

TESI is currently operating under a modified consent decree (MCD) and consolidated compliance order and notice of potential penalty (CCONOPP) with state and federal environmental regulatory agencies. The MCD states that TESI will make necessary refurbishments to bring existing systems into compliance with state and federal operating standards. It is the opinion of management that the refurbishments to meet the terms of the MCD can be completed within the specified time limits. Costs associated with the refurbishments are expected to be capital in nature and are capitalized as incurred. The CCONOPP has been administratively appealed and is currently pending before an administrative law judge. No penalties have been assessed under the CCONOPP, but TESI is in discussions with state regulatory agencies concerning the settlement of this order.

Management of the Cooperative and TESI are not aware of any unrecorded material environmental commitments or contingent environmental liabilities. Environmental contingencies have been mitigated by testing of the water and sewer systems on a regular basis and providing the test results to the proper environmental authorities.

The Cooperative is subject to other legal proceedings. In the opinion of management, the outcome of these proceedings will not materially affect the accompanying financial statements, and accordingly, no provision for any liability has been recorded.

**Note 14. Commitments**

Under its wholesale power agreement, the Cooperative is committed to purchase all of its electric power and energy requirements from CLECO Cajun, LLC through March 2025. The rates paid for such purchases are subject to review annually, and are regulated by the LPSC. Future operating results could be materially affected in the event of an interruption of the supply of electric power from the company.

**Note 15. Supplemental Disclosures of Cash Flow Information**

Cash payments for interest and income taxes were as follows:

	<b>2019</b>	<b>2018</b>
Total Interest Paid	<b>\$ 1,505,277</b>	<b>\$ 1,720,643</b>
Income Taxes	<b>\$ 290,050</b>	<b>\$ 173,000</b>



**LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY  
Houma, Louisiana**

**Notes to Consolidated Financial Statements**

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**Note 15. Supplemental Disclosures of Cash Flow Information (Continued)**

**Noncash Financing and Investing Activities**

Noncash investing and financing activities are as follows:

	2019	2018
Retirement of Plant Assets, Adjusted for Removal Costs and Material Salvaged	<u>\$ 3,601,237</u>	<u>\$ 2,973,381</u>
Deferred Postretirement Benefit Costs	<u>\$ 4,066,605</u>	<u>\$ 125,172</u>

**Note 16. Subsequent Events**

The Cooperative and TESI have evaluated events and transactions for potential recognition or disclosure through July 15, 2020 and June 3, 2020, respectively, the dates the financial statements were available to be issued, and determined the following events occurred that require disclosure:

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern", and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Cooperative and TESI operates. While it is unknown how long these conditions will last and to what complete financial effect will be to the Cooperative and TESI, to date, it is reasonably possible that the Company is vulnerable to the risk of near-term severe impact.

On May 21, 2020, the Cooperative received \$1,806,608 of funding from the Paycheck Protection Program. On April 28, 2020, TESI received \$526,000 of funding from the Paycheck Protection Program. These loans are potentially forgivable if the Cooperative and TESI meet certain criteria. The loans have an interest rate of 1% and are due two years from the date of origination. There is no collateral or personal guarantees associated with these loans.

No further subsequent events occurring after July 15, 2020 have been evaluated for inclusion in these financial statements.

## **SUPPLEMENTARY INFORMATION**

## Independent Auditor's Report on Supplementary Information

The Board of Directors  
South Louisiana Electric Cooperative Association and Subsidiary  
Houma, Louisiana

We have audited the consolidated financial statements of Louisiana 8 Terrebonne South Louisiana Electric Cooperative Association and Subsidiary for the year ended December 31, 2019 and have issued our report thereon dated July 15, 2020, which expressed an unmodified opinion on those financial statements, appears on page 2. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information for 2019 on pages 26 - 28, and the Schedule of Compensation, Benefit, and Other Payments to Agency Head or Chief Executive Officer on page 29 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards on page 35, as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information, which insofar as it relates to Total Environmental Solutions, Inc. is based on the report of other auditors, and the schedule of expenditures of federal awards, are fairly stated in all material respects in relation to the consolidated financial statements as a whole.



A Professional Accounting Corporation

Houma, LA  
July 15, 2020

### LOUISIANA • TEXAS

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**LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION  
AND SUBSIDIARY  
Houma, Louisiana  
Consolidating Balance Sheet  
December 31, 2019**

	<b>SLECA</b>	<b>TESI</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Assets</b>				
<b>Utility Plant</b>				
Electric Plant in Service	\$ 130,650,726	\$ -	\$ -	\$ 130,650,726
Construction Work in Progress	4,970,982	-	-	4,970,982
Water and Waste Water Plant in Service	-	18,687,976	-	18,687,976
	135,621,708	18,687,976	-	154,309,684
Less: Accumulated Depreciation	(44,876,438)	(9,728,591)	-	(54,605,029)
<b>Net Utility Plant</b>	<b>90,745,270</b>	<b>8,959,385</b>	<b>-</b>	<b>99,704,655</b>
Investment in Subsidiary	6,063,993	-	(6,063,993)	-
Investments in Associated Organizations	2,855,802	384,040	-	3,239,842
<b>Total Other Property and Investments</b>	<b>8,919,795</b>	<b>384,040</b>	<b>(6,063,993)</b>	<b>3,239,842</b>
<b>Current Assets</b>				
Cash and Cash Equivalents	10,761	62,697	-	73,458
Accounts Receivable				
Consumers, Less Allowance for Doubtful Accounts	3,118,735	561,818	-	3,680,553
Accrued Unbilled Revenue	2,461,029	-	-	2,461,029
Other Accounts Receivable	1,619,194	8,747	-	1,627,941
Materials and Supplies Inventories	1,624,563	-	-	1,624,563
Prepayments	236,976	415,315	-	652,291
<b>Total Current Assets</b>	<b>9,071,258</b>	<b>1,048,577</b>	<b>-</b>	<b>10,119,835</b>
<b>Other Assets</b>				
Deferred Charges	4,214,672	160,072	-	4,374,744
Other Assets	-	2,157	-	2,157
<b>Total Other Assets</b>	<b>4,214,672</b>	<b>162,229</b>	<b>-</b>	<b>4,376,901</b>
<b>Total Assets</b>	<b>\$ 112,950,995</b>	<b>\$ 10,554,231</b>	<b>\$ (6,063,993)</b>	<b>\$ 117,441,233</b>

**LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION  
AND SUBSIDIARY  
Houma, Louisiana  
Consolidating Balance Sheet (Continued)  
December 31, 2019**

	<b>SLECA</b>	<b>TESI</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Liabilities and Other Credits</b>				
<b>Equities and Margins</b>				
Memberships	\$ 83,845	\$ -	\$ -	\$ 83,845
Patronage Capital	46,958,523	-	-	46,958,523
Other Equities (Deficits)	2,287,788	6,063,993	(6,063,993)	2,287,788
Accumulated Other Comprehensive Loss	(5,853,100)	-	-	(5,853,100)
<b>Total Equities and Margins</b>	<b>43,477,056</b>	<b>6,063,993</b>	<b>(6,063,993)</b>	<b>43,477,056</b>
<b>Long-Term Obligations, Net of</b>				
Current Maturities				
Notes and Capital Leases Payable, Net	35,907,655	1,500,000	-	37,407,655
<b>Long-Term Obligations, Net</b>	<b>35,907,655</b>	<b>1,500,000</b>	<b>-</b>	<b>37,407,655</b>
<b>Current Liabilities</b>				
Checks in Excess of Bank Balances	247,862	-	-	247,862
Current Maturities of				
Long-Term Obligations	1,095,074	-	-	1,095,074
Lines of Credit	1,839,200	475,000	-	2,314,200
Accounts Payable				
Purchased Power	5,179,380	-	-	5,179,380
Other	551,802	1,083,585	-	1,635,387
Consumer Deposits	1,099,473	896,653	-	1,996,126
Income Taxes Payable	-	20,000	-	20,000
Accrued Expenses and Other Liabilities	1,337,944	-	-	1,337,944
Accumulated Employee Benefit Liability	848,477	-	-	848,477
<b>Total Current Liabilities</b>	<b>12,199,212</b>	<b>2,475,238</b>	<b>-</b>	<b>14,674,450</b>
<b>Other Liabilities</b>				
Deferred Income Taxes	-	515,000	-	515,000
Accumulated Employee Benefit Liability	21,367,072	-	-	21,367,072
<b>Total Other Liabilities</b>	<b>21,367,072</b>	<b>515,000</b>	<b>-</b>	<b>21,882,072</b>
<b>Total Liabilities</b>	<b>69,473,939</b>	<b>4,490,238</b>	<b>-</b>	<b>73,964,177</b>
<b>Total Liabilities and Other Credits</b>	<b>\$ 112,950,995</b>	<b>\$ 10,554,231</b>	<b>\$ (6,063,993)</b>	<b>\$ 117,441,233</b>

**LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION  
AND SUBSIDIARY  
Houma, Louisiana  
Consolidating Statement of Revenue and Expenses  
For the Year Ended December 31, 2019**

	<b>SLECA</b>	<b>TESI</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Operating Revenue</b>	\$ 51,463,300	\$ 10,482,764	\$ -	\$ 61,946,064
<b>Operating Expenses</b>				
Cost of Power	33,945,247	-	-	33,945,247
Distribution Expense	2,740,378	-	-	2,740,378
Consumer Account Expense	1,825,564	-	-	1,825,564
Customer Sales and Service	466,519	-	-	466,519
Depreciation and Amortization	3,507,831	-	-	3,507,831
Water and Waste Water Expenses	-	7,403,651	-	7,403,651
Other Operating Expenses	12,422	-	-	12,422
Taxes	1,331,871	-	-	1,331,871
Maintenance				
Distribution and Transmission System	2,791,128	-	-	2,791,128
General Plant	232,634	-	-	232,634
Administrative and General				
General Office Salaries and Benefits	1,540,149	-	-	1,540,149
Property and Liability Insurance	131,323	-	-	131,323
Special Services	257,774	-	-	257,774
Office Supplies and Expense	361,070	-	-	361,070
National, State, and Local Meetings -				
Directors and Employees	93,135	-	-	93,135
Dues and Subscriptions	193,445	-	-	193,445
Water and Waste Water Expenses	-	2,080,233	-	2,080,233
Miscellaneous	96,238	-	-	96,238
<b>Total Operating Expenses</b>	<b>49,526,728</b>	<b>9,483,884</b>	<b>-</b>	<b>59,010,612</b>
<b>Operating Margins</b>	<b>1,936,572</b>	<b>998,880</b>	<b>-</b>	<b>2,935,452</b>
<b>Interest Expense</b>	<b>1,403,255</b>	<b>100,194</b>	<b>-</b>	<b>1,503,449</b>
<b>Net Operating Margins</b>	<b>533,317</b>	<b>898,686</b>	<b>-</b>	<b>1,432,003</b>
<b>Non-Operating Margins</b>				
Interest Income	66,749	-	-	66,749
Gain (Loss) on Disposition of Property	57,473	6,296	-	63,769
Income (Loss) from Equity Investments	708,520	-	(708,520)	-
Other Non-Operating Income (Expenses), Net	240,979	32,566	-	273,545
Cooperative Capital Credits - CFC	126,563	-	-	126,563
<b>Total Non-Operating Margins</b>	<b>1,200,284</b>	<b>38,862</b>	<b>(708,520)</b>	<b>530,626</b>
<b>Net Margins Before Income Tax</b>	<b>1,733,601</b>	<b>937,548</b>	<b>(708,520)</b>	<b>1,962,629</b>
<b>Income Taxes</b>				
Income Tax Expense	-	229,028	-	229,028
<b>Net Margins</b>	<b>\$ 1,733,601</b>	<b>\$ 708,520</b>	<b>\$ (708,520)</b>	<b>\$ 1,733,601</b>

**LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION  
AND SUBSIDIARY  
Houma, Louisiana  
Schedule of Compensation, Benefits, and Other Payments  
to Agency Head or Chief Executive Officer  
For the Year Ended December 31, 2019**

**Agency Head**

Joe Ticheli, General Manager

<b>Purpose</b>	<b>Amount</b>
Salary	\$0
Benefits-Insurance	\$0
Benefits-Retirement	\$0
Deferred Compensation (CAA)	\$0
Benefits-Executive Incentive	\$0
Benefits-Administrative Retention	\$0
Benefits-Vacation Payout	\$0
Car Allowance	\$0
Vehicle Provided by Government	\$0
Cell Phone	\$0
Dues	\$0
Vehicle Rental	\$0
Per Diem	\$0
Reimbursements	\$0
Travel	\$0
Registration Fees	\$0
Conference Travel	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$0
Other	\$0

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

## **SUPPLEMENTARY FINANCIAL REPORTS**



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

The Board of Directors  
South Louisiana Electric Cooperative Association  
Houma, 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 Louisiana 8 Terrebonne South Louisiana Electric Cooperative Association (Cooperative) and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of revenue and expenses, comprehensive income, equities and margins, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated, July 15, 2020.

The financial statements of the Cooperative's wholly-owned subsidiary, Total Environmental Solutions, Inc. were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Total Environmental Solutions, Inc.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Louisiana 8 Terrebonne South Louisiana Electric Cooperative Association'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 Louisiana 8 Terrebonne South Louisiana Electric Cooperative Association's internal control. Accordingly, we do not express an opinion on the effectiveness of Louisiana 8 Terrebonne South Louisiana Electric Cooperative Association'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 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.

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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 Louisiana 8 Terrebonne South Louisiana Electric Cooperative Association'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 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.



A Professional Accounting Corporation

Houma, LA  
July 15, 2020

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

To Board of Directors  
South Louisiana Electric Cooperative Association  
Houma, Louisiana

**Report on Compliance for Each Major Federal Program**

We have audited the Louisiana 8 Terrebonne South Louisiana Electric Cooperative Association's (the Cooperative) 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, 2019. 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 terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Cooperative's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we 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 we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, Louisiana 8 Terrebonne South Louisiana Electric Cooperative Association 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, 2019.

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## Report on Internal Control Over Compliance

Management of the Cooperative is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we 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, we 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.

Our 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. We did not identify any deficiencies in internal control over compliance that we 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 our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

Houma, Louisiana  
July 15, 2020

**LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION  
AND SUBSIDIARY  
Houma, Louisiana  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2019**

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Expenditures</b>
<b><u>United States Department of Homeland Security</u></b>			
Passed through the State of Louisiana Governor's Office of Homeland Security and Emergency Preparedness Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4458 - Hurricane Barry	\$ 1,894,743
<b>Total United States Department of Homeland Security</b>			<u>1,894,743</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 1,894,743</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Louisiana 8 Terrebonne South Louisiana Electric Cooperative Association (the Cooperative) under programs of federal government for the year ended December 31, 2019. 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 Schedule presents only a selected portion of the operations of the Cooperative, it is not intended to and does not present the financial position, results of operations, or cash flows of the Cooperative.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule 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 allowed or are limited as to reimbursement.

**Note 3. Indirect Cost Rate**

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

**Note 4. Passed Through to Sub Recipients**

There were no awards passed through to sub recipients.

**LOUISIANA 8 TERREBONNE  
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION  
AND SUBSIDIARY  
Houma, Louisiana  
Schedule of Findings and Questioned Costs  
December 31, 2019**

**Part I - Summary of Auditor's Results**

1. The auditor's report expresses an unmodified opinion on the basic financial statements of Louisiana 8 Terrebonne South Louisiana Electric Cooperative Association.
2. No deficiencies relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of Louisiana 8 Terrebonne South Louisiana Electric Cooperative Association were disclosed during the audit.
4. No deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance for Each Major Program and on Internal Control over Compliance required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for Louisiana 8 Terrebonne South Louisiana Electric Cooperative Association expresses an unmodified opinion.
6. No audit findings relative to the major federal award programs for Louisiana 8 Terrebonne South Louisiana Electric Cooperative Association are reported in Part III of this Schedule.
7. The program tested as a major program includes:

Disaster Grants - Public Assistance	97.036
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8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Louisiana 8 Terrebonne South Louisiana Electric Cooperative Association was not determined to be a low-risk auditee.

**Part II - Financial Statement Findings**

None.

**Part III - Federal Award Findings and Questioned Costs**

None.