

LOUISIANA 13

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

GREENWELL SPRINGS, LOUISIANA

**CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

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

CERTIFIED PUBLIC ACCOUNTANTS

LUBBOCK, TEXAS

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

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Dixie Electric Membership Corporation and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of operations and patronage capital, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Dixie Electric Membership Corporation and Subsidiaries as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

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

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

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

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

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

Report on Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2026 on our consideration of the Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Dixie Electric Membership Corporation and Subsidiaries' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cooperative's internal control over financial reporting and compliance.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

April 8, 2026

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

Exhibit A

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2025 AND 2024

ASSETS

	December 31,	
	2025	2024
UTILITY PLANT		
Electric Plant in Service	\$ 862,515,660	\$ 821,494,340
Other Fixed Assets	2,030,949	1,864,537
Right of Use Lease Assets	344,537	246,112
Construction Work in Progress	8,676,868	21,125,193
	<u>\$ 873,568,014</u>	<u>\$ 844,730,182</u>
Less: Accumulated Provision for Depreciation	215,019,918	217,789,252
Total Utility Plant, Net	<u>\$ 658,548,096</u>	<u>\$ 626,940,930</u>
INVESTMENTS AND OTHER ASSETS		
Investments in Associated Organizations	\$ 14,449,128	\$ 12,854,845
Non-Utility Property	2,662,941	
Notes Receivable, Long-Term Portion	24,398	52,570
	<u>\$ 17,136,467</u>	<u>\$ 12,907,415</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 4,273,928	\$ 215,801
Notes Receivable, Current Portion	45,840	80,673
Accounts Receivable		
Consumers, net of allowance of \$981,670 in 2025 and \$839,709 in 2024	16,817,435	14,212,320
FEMA, net of allowance of \$0 in 2025 and \$0 in 2024	2,827,980	15,801,332
Other Receivables, net of allowance of \$0 in 2025 and \$849,956 in 2024	1,999,469	4,215,534
Unbilled Revenue	15,652,122	15,444,525
Under-Collected Purchase Power Cost Adjustment	10,060,947	890,564
Materials and Supplies	8,466,303	10,018,153
Other Current and Accrued Assets	2,588,659	3,543,215
	<u>\$ 62,732,683</u>	<u>\$ 64,422,117</u>
DEFERRED CHARGES	\$ 30,721,596	\$ 29,001,469
TOTAL ASSETS	<u>\$ 769,138,842</u>	<u>\$ 733,271,931</u>

EQUITIES AND LIABILITIES

EQUITIES		
Memberships	\$ 326,940	\$ 340,720
Patronage Capital	120,367,095	106,666,783
Other Equities	17,327,843	15,772,210
	<u>\$ 138,021,878</u>	<u>\$ 122,779,713</u>
LONG-TERM DEBT		
Notes Payable, Less Current Maturities	\$ 499,751,920	\$ 466,939,450
Financing Lease Obligations, Less Current Maturities	2,095,617	1,632,470
Operating Right of Use Lease Obligations, Less Current Maturities		59,078
	<u>\$ 501,847,537</u>	<u>\$ 468,630,998</u>
NON-CURRENT LIABILITIES		
Post-Retirement Benefit Obligation, Less Current Maturities	\$ 25,076,103	\$ 20,491,297
CURRENT LIABILITIES		
Current Maturities of Notes Payable	\$ 18,316,956	\$ 17,673,353
Current Maturities of Finance Lease Obligations	898,149	565,367
Current Maturities of Right of Use Lease Obligations	59,078	61,003
Current Maturities of Post-Retirement Benefit Obligation	1,333,444	1,237,827
Lines of Credit	37,919,668	59,071,376
Accounts Payable - Purchased Power	14,385,259	11,464,931
Accounts Payable - Other	6,826,085	7,601,160
Consumer Deposits	9,552,300	9,310,675
Accrued Taxes	833,627	760,187
Accrued Interest	570,895	616,109
Other Current and Accrued Liabilities	2,313,770	2,210,607
	<u>\$ 93,009,231</u>	<u>\$ 110,572,595</u>
DEFERRED CREDITS	\$ 11,184,093	\$ 10,797,328
TOTAL EQUITIES AND LIABILITIES	<u>\$ 769,138,842</u>	<u>\$ 733,271,931</u>

See accompanying notes to the consolidated financial statements.

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

Exhibit B

CONSOLIDATED STATEMENTS OF OPERATIONS AND PATRONAGE CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	December 31,				
	2025		2024		Increase (Decrease)
	Amount	%	Amount	%	
OPERATING REVENUES					
Residential	\$ 240,563,966	76.9	\$ 209,018,191	76.8	\$ 31,545,775
Commercial and Industrial	61,266,387	19.6	54,925,603	20.2	6,340,784
Public Street & Highway Lighting	377,552	0.1	308,009	0.1	69,543
Other Sales to Public Authorities	4,149,784	1.3	1,615,621	0.6	2,534,163
Rent from Electric and Other Property	1,541,831	0.5	1,692,149	0.6	(150,318)
Other Revenue	5,010,067	1.6	4,673,313	1.7	336,754
Total Operating Revenues	\$ 312,909,587	100.0	\$ 272,232,886	100.0	\$ 40,676,701
OPERATING EXPENSES					
Purchased Power	\$ 179,621,122	57.4	\$ 153,173,062	56.3	\$ 26,448,060
Transmission - Operation	749,532	0.2	648,414	0.2	101,118
Transmission - Maintenance	282,452	0.1	347,344	0.1	(64,892)
Distribution - Operation	9,445,407	3.0	7,854,408	2.9	1,590,999
Distribution - Maintenance	23,306,851	7.4	26,537,432	9.7	(3,230,581)
Consumer Accounts	7,634,454	2.4	8,566,418	3.1	(931,964)
Customer Service and Information	326,904	0.1	281,178	0.1	45,726
Selling Expenses	1,087,062	0.3	1,065,940	0.4	21,122
Administrative and General Expenses	20,240,164	6.5	19,434,683	7.1	805,481
Depreciation	28,715,451	9.2	26,306,876	9.7	2,408,575
Taxes and Penalties	7,067,367	2.3	6,620,561	2.4	446,806
Other Expenses	288,976	0.1	229,760	0.1	59,216
Total Operating Expenses	\$ 278,765,742	89.0	\$ 251,066,076	92.1	\$ 27,699,666
OPERATING MARGINS - BEFORE FIXED CHARGES	\$ 34,143,845	11.0	\$ 21,166,810	7.9	\$ 12,977,035
FIXED CHARGES					
Interest on Long-Term Debt	\$ 17,597,595	5.6	\$ 16,328,150	6.0	\$ 1,269,445
Amortization on Reacquired Debt	12,350	0.0	12,731	0.0	(381)
Other Interest	5,121,070	1.6	2,023,370	0.7	3,097,700
Total Fixed Charges	\$ 22,731,015	7.2	\$ 18,364,251	6.7	\$ 4,366,764
OPERATING MARGINS (DEFICITS) - AFTER FIXED CHARGES	\$ 11,412,830	5.4	\$ 2,802,559	1.9	\$ 8,610,271
Other Capital Credits	2,899,575	0.9	2,467,492	0.9	432,083
NET OPERATING MARGINS	\$ 14,312,405	6.3	\$ 5,270,051	2.8	\$ 9,042,354
NONOPERATING MARGINS					
Interest Income	\$ 261,806	0.1	\$ 301,267	0.1	\$ (39,461)
Other Income (Loss)	916,788	0.3	205,009	0.1	711,779
Grant Income		0.0	14,340	0.0	(14,340)
Total Nonoperating Margins	\$ 1,178,594	0.4	\$ 520,616	0.2	\$ 657,978
NET MARGINS BEFORE PROVISION FOR INCOME TAXES	\$ 15,490,999	6.7	\$ 5,790,667	3.0	\$ 9,700,332
PROVISION FOR INCOME TAX EXPENSE					
Current	\$ (110,340)	0.0	\$ (119,003)	0.0	\$ 8,663
Deferred - Federal		0.0	(39,896)	0.0	39,896
Total Provision for Income Tax Expense	\$ (110,340)	0.0	\$ (158,899)	0.0	\$ 48,559
NET MARGINS	\$ 15,380,659	6.7	\$ 5,631,768	3.0	\$ 9,748,891
PATRONAGE CAPITAL - BEGINNING OF YEAR	106,666,783		111,914,061		
Offset Prior Losses With Operating Margins	(56,157)		(4,972,387)		
Special Bad Debt Equity Retirement	(283,429)		(5,247,278)		
Transfer Nonoperating Margins to Other Equities	(1,178,594)		(514,534)		
Transfer Subsidiary Margins to Other Equities	(162,167)		(144,847)		
PATRONAGE CAPITAL - END OF YEAR	\$ 120,367,095		\$ 106,666,783		

See accompanying notes to the consolidated financial statements.

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

Exhibit C

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	December 31,	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Margins	\$ 15,380,659	\$ 5,631,768
Adjustments to Reconcile Net Margins to Net Cash From Operating Activities		
Depreciation	30,864,195	28,215,350
Gain on Debt Settlement	(950,088)	
Capital Credits	(2,141,890)	(1,741,395)
(Increase) Decrease:		
Accounts Receivable	(2,729,826)	(2,621,808)
Accounts Receivable - Other	516,153	(1,059,587)
Unbilled Revenue	(207,597)	(961,002)
Under-Collected Purchased Power Cost Adjustment	(9,170,383)	(1,699,756)
Inventories and Other Current Assets	2,506,406	(2,421,648)
Deferred Charges	4,198,123	(3,559,271)
Deferred Income Taxes		39,896
Increase (Decrease):		
Accounts Payable and Other Accrued Liabilities	(402,063)	(774,713)
Accounts Payable - Purchased Power	2,920,328	711,785
Deferred Credits	386,765	199,457
Net Cash From Operating Activities	\$ 41,170,782	\$ 19,959,076
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Plant	\$ (53,618,923)	\$ (38,773,761)
Non-Utility Plant	(12,941)	
Plant Removal Costs Over Salvage and Other Credits	(7,299,835)	(6,062,507)
Accounts Receivable - FEMA Disaster Grants	12,973,352	4,075,953
Other Property and Investments	547,607	160,363
Net (Advances) Payments - Notes Receivable	63,005	34,887
Net Cash From Investing Activities	\$ (47,347,735)	\$ (40,565,065)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt - RUS	\$ (2,306,138)	\$ (2,215,364)
Payments on Long-Term Debt - FFB	(12,109,790)	(14,072,721)
Payments on Long-Term Debt - CoBank	(952,433)	(928,435)
Payments on Long-Term Debt - CFC	(2,321,702)	(2,246,741)
Payments on Long-Term Debt - Other	(1,245,714)	(1,145,590)
Payments on Lease Obligations	(817,678)	(432,488)
Advances of Long-Term Debt - FFB	51,154,023	26,377,650
Advances of Long-Term Debt - CFC		2,537,956
Advances of Long-Term Debt - SCPDC		55,856
Net Advances (Payments) - Line of Credit	(21,151,708)	6,309,801
Memberships and Other Equities	(13,780)	(15,320)
Net Cash From Financing Activities	\$ 10,235,080	\$ 14,224,604
CHANGE IN CASH AND CASH EQUIVALENTS	\$ 4,058,127	\$ (6,381,385)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>215,801</u>	<u>6,597,186</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 4,273,928</u>	<u>\$ 215,801</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest	\$ 17,592,547	\$ 17,720,538
Income Taxes	\$ 89,789	\$ 3,685
SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION		
Assets Obtained Through Finance Leases	\$ 1,454,179	\$ 2,066,712
Assets Obtained Through Operating Right of Use Leases	\$ 98,425	\$ 47,556
Patronage Capital Retired by Non-Cash Discounting	\$ 283,429	\$ 5,247,278
Developer Settlement of Debt Through Land Swap	\$ 1,699,912	

See accompanying notes to the consolidated financial statements.

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

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

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

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

Principles of Consolidations

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

System of Accounts

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

Use of Estimates in the Preparation of Consolidated Financial Statements

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

Cash Equivalents

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

Accounts Receivable and Allowance for Credit Losses

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

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	December 31,	
	2025	2024
Balance, Beginning of Year	\$ 839,709	\$ 590,935
Accruals for Credit Losses	783,526	672,239
Write-Offs	(915,057)	(3,063,486)
Recoveries and Other Adjustments	273,492	2,640,020
Balance, End of Year	<u>\$ 981,670</u>	<u>\$ 839,709</u>

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

	December 31,	
	2025	2024
Balance, Beginning of Year	\$ 849,956	\$ 535,687
Accruals for Credit Losses	(849,956)	314,269
Balance, End of Year	<u>\$ -</u>	<u>\$ 849,956</u>

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

Materials and Supplies

Materials and supplies inventories are valued at average unit cost.

Electric Plant, Maintenance, and Depreciation

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

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

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

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Patronage Capital Certificates

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

Electric Revenues from Contracts with Customers

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

Substantially all operating revenues and customer accounts receivables are derived from contracts with customers. Performance obligations related to the sale of energy are satisfied as energy is delivered to customers. The Cooperative recognizes revenue that corresponds to the price of the energy delivered to the customer. The measurement of energy sales to customers is generally based on the reading of their meters, which occurs on a systematic basis throughout the month. At the end of each month, amounts of energy delivered to customers since the date of the last meter reading are estimated, and the corresponding unbilled revenue is recognized. The Cooperative has calculated that its unbilled revenue for delivered power usage which has not been billed to be \$15,652,122 and \$15,444,525, respectively. The Cooperative's tariffs for electric service include purchased power adjustment clauses under which billings to members are adjusted to reflect changes in the cost of fuel and purchased power as approved by the LPSC. In order to match power costs and related revenues, under-collected power cost to be billed to consumers in subsequent periods is recognized as a current asset and as an increase of classified operating revenues on the consolidated statements of operations and patronage capital. Over-collected power cost to be returned to consumers in subsequent periods is recognized as a current liability and as a decrease of classified operating revenues on the consolidated statements of income, and patronage capital. As of December 31, 2025 and 2024 the Cooperative had under (over)-collected power cost of \$10,060,947 and \$890,564, respectively.

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

Group Concentrations of Credit Risk

The Cooperative may require a deposit from its members upon connection which is applied to unpaid bills and fees in the event of default. Interest is accrued on the deposited funds while it is held by the Cooperative. As of December 31, 2025 and 2024, deposits on hand totaled \$9,552,300 and \$9,310,675, respectively.

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

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2025, 68% of the Cooperative's 271 employees work under a collective bargaining agreement. Those employees are represented by the International Brotherhood of Electrical Workers Local 767 whose existing labor agreement expires on February 28, 2027.

Advertising

Advertising costs, which are included in operating expenses, are expensed as incurred. Advertising expense was \$1,087,062 and \$1,065,940 for the years ended December 31, 2025 and 2024, respectively.

Regulation

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

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

2. Assets Pledged

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

3. Utility Plant

Utility plant consists of the following:

	December 31,	
	2025	2024
Transmission and Distribution Plant	\$ 793,643,931	\$ 756,940,381
General Plant	68,871,729	64,553,959
Other Fixed Assets	2,030,949	1,864,537
Right of Use Lease Assets	344,537	246,112
	<u>\$ 864,891,146</u>	<u>\$ 823,604,989</u>
Construction Work in Progress	8,676,868	21,125,193
Total Utility Plant	<u>\$ 873,568,014</u>	<u>\$ 844,730,182</u>

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

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Average annual composite rates of depreciation are as follows:

	December 31,	
	2025	2024
Transmission Plant	2.75%	2.75%
Distribution Plant	2.16% to 4.40%	2.16% to 4.40%
Distribution Plant Meters	3.40% to 10.00%	3.40% to 10.00%
General Plant		
Structures and Improvements	2.00% to 6.00%	2.00% to 6.00%
Power Operated Equipment	6.00% to 14.00%	6.00% to 14.00%
Transportation Equipment	16.00%	16.00%
Other	6.00% to 20.00%	6.00% to 20.00%

Depreciation and amortization for the years ended December 31, 2025 and 2024 was \$30,864,195 and \$28,215,350, respectively, of which \$28,715,451 and \$26,306,876 was charged to depreciation expense, and \$2,148,744 and \$1,908,474 allocated to other accounts.

4. Other Property and Investments

Investments in Associated Organizations consist of the following:

	December 31,	
	2025	2024
Capital Term Certificates		
National Rural Utilities Cooperative Finance Corporation	\$ 3,067,774	\$ 3,426,389
Patronage Capital		
National Rural Utilities Cooperative Finance Corporation	4,096,425	4,164,941
Meridian Cooperative, Inc.	489,935	494,846
CoBank, ACB	1,709,823	1,616,680
Gresco Utility Supply, Inc.	1,356,510	1,131,346
National Rural Telecommunications Cooperative, Inc.	40,647	40,647
Federated Insurance	877,281	753,390
National Information Solutions Cooperative, Inc.	74,965	66,165
Arkansas Electric Cooperative	2,700,579	1,127,053
Other	18,289	16,488
Memberships		
Other	16,900	16,900
	<u>\$ 14,449,128</u>	<u>\$ 12,854,845</u>

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Non-Utility Plant

During 2025, the Cooperative received land to settle outstanding debt from developers. As a result, \$2,662,941 is recorded in Non-Utility Property as of December 31, 2025. As part of this transaction, a gain of \$950,088 was recorded in nonoperating margins and \$1,699,912 in developer penalties were settled.

6. Notes Receivable

Notes Receivable consist of the following:

	December 31,	
	2025	2024
Construction Notes Receivable	\$ 70,238	\$ 133,243
Less: Notes Receivable, Current Portion	(45,840)	(80,673)
Notes Receivable, Long-Term Portion	<u>\$ 24,398</u>	<u>\$ 52,570</u>

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

2026	\$ 45,840
2027	20,334
2028	4,064
	<u>\$ 70,238</u>

7. Other Receivables

Other Receivables consist of the following:

	December 31,	
	2025	2024
Pole Attachments	\$ 1,329,925	\$ 1,496,028
Mutual Aid Assistance		960,783
Contributions for Construction	546,823	680,341
Developer Penalties		1,699,912
DEMCO Foundation	119,477	147,372
Miscellaneous	<u>3,244</u>	<u>81,054</u>
	\$ 1,999,469	\$ 5,065,490
Less: Allowance for Credit Losses		<u>849,956</u>
	<u>\$ 1,999,469</u>	<u>\$ 4,215,534</u>

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Materials and Supplies

Materials and Supplies consist of the following:

	December 31,	
	2025	2024
Construction Materials and Supplies	\$ 8,251,041	\$ 9,876,014
Minor Construction Materials and Supplies	15,411	10,811
Vehicle Parts	199,851	131,328
	<u>\$ 8,466,303</u>	<u>\$ 10,018,153</u>

9. Deferred Charges

Deferred Charges consist of the following:

	December 31,	
	2025	2024
Unamortized Conversion Fee	\$ 83,213	\$ 95,563
Post-Retirement Benefits	21,006,868	16,326,445
Pension Prepayment	2,467,577	3,048,184
Regulatory Asset - Storm Costs	7,055,047	9,442,851
Other	108,891	88,426
	<u>\$ 30,721,596</u>	<u>\$ 29,001,469</u>

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

	December 31,	
	2025	2024
Original Amount	\$ 5,265,487	\$ 5,265,487
Accumulated Amortization	<u>(5,182,274)</u>	<u>(5,169,924)</u>
Net Book Value	<u>\$ 83,213</u>	<u>\$ 95,563</u>

Amortization expense was \$12,350 and \$12,731 for the years ended December 31, 2025 and 2024, respectively.

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Future expected amortization of the conversion fees is as follows:

2026	\$	12,350
2027		12,350
2028		12,350
2029		12,350
2030		12,350
Thereafter		<u>21,463</u>
	\$	<u><u>83,213</u></u>

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

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

	December 31,	
	2025	2024
Original Amount	\$ 9,870,308	\$ 9,870,308
Accumulated Amortization	<u>(7,402,731)</u>	<u>(6,822,124)</u>
Net Book Value	<u><u>\$ 2,467,577</u></u>	<u><u>\$ 3,048,184</u></u>

Amortization expense related to the pension prepayment was \$580,607 and \$580,607 for the years ended December 31, 2025 and 2024, respectively. Future expected amortization is as follows:

2026	\$	580,607
2027		580,607
2028		580,607
2029		580,607
2030		<u>145,149</u>
	\$	<u><u>2,467,577</u></u>

Refer to Note 23, Natural Disasters, for additional information on Regulatory Asset – Storm Costs.

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Patronage Capital

Patronage capital consist of the following:

	December 31,	
	2025	2024
Assigned to Date	\$ 105,708,399	\$ 105,708,399
Operating Margins - Prior Years	6,205,662	6,205,662
Operating Margins - Current Year	14,039,898	4,972,387
Offset Prior Losses	(56,157)	(4,972,387)
	\$ 125,897,802	\$ 111,914,061
Less: Retired	5,530,707	5,247,278
	<u>\$ 120,367,095</u>	<u>\$ 106,666,783</u>

11. Return of Capital

The equities and margins of the Cooperative represent 17.95% of the total assets at the balance sheet date. Under the provisions of the Mortgage Agreement, the Cooperative shall not, without written approval of RUS and National Rural Utilities Cooperative Finance Corporation, make any capital credit retirements to members or consumers, provided that the borrower may make capital credit retirements to estates of deceased patrons to the extent required or permitted by its articles of incorporation and bylaws so long as such capital credit retirements shall not in any year exceed 25 percent of the patronage capital and margins received by the borrower in the preceding year. For the years December 31, 2025 and 2024, the Cooperative's Board of Directors approved a special bad debt equity retirement totaling \$283,429 and \$5,247,278, respectively, to recover previously written off bad debts. No patronage capital was retired for the years ended December 31, 2025 and 2024, respectively.

12. Other Equities

Other Equities consist of the following:

	December 31,	
	2025	2024
Subsidiary Margins	\$ 1,183,834	\$ 1,021,667
Other Nonoperating Income	13,249,887	12,071,293
Special Bad Debt Equity Retirements - Discounts	2,894,122	2,735,407
Operating Deficits		(56,157)
	<u>\$ 17,327,843</u>	<u>\$ 15,772,210</u>

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

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Lines of Credit

Lines of credit consist of the following:

	December 31,	
	2025	2024
As of December 31, 2025, the Cooperative had two lines of credit facilities totaling \$46,000,000 with the National Rural Utilities Cooperative Finance Corporation (NRUCFC) at variable interest rates. The lines of credit mature on January 22, 2026 and September 24, 2026, respectively. As of December 31, 2024, the Cooperative had three lines of credit facilities totaling \$63,804,684 with the National Rural Utilities Cooperative Finance Corporation (NRUCFC) at variable interest rates.	\$ 27,501,795	\$ 42,101,120
As of December 31, 2025, the Cooperative had an unsecured \$25,000,000 line of credit with CoBank at a variable interest rate. The line of credit matures September 30, 2026. As of December 31, 2025, the Cooperative had an uncommitted \$27,000,000 revolving line of credit with CoBank at a variable interest rate. The line of credit matures on September 30, 2026. As of December 31, 2024, the Cooperative had an unsecured \$40,000,000 line of credit at a variable interest rate and an uncommitted \$12,000,000 line of credit with CoBank.	10,417,873	16,970,256
The Cooperative has an unsecured \$5,000,000 line of credit with Red River Bank. The interest rate on the line of credit is variable and of differing amounts as of December 31, 2025 and 2024, respectively. The line of credit matures annually in February and is automatically renewed.	\$ 37,919,668	\$ 59,071,376

Subsequent to December 31, 2025, the Cooperative renewed a \$40,000,000 line of credit and established an additional \$10,000,000 line of credit with CFC. Additionally, a \$5,000,000 line of credit with Red River Bank was renewed.

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Notes Payable

Notes Payable consist of the following:

	December 31,	
	2025	2024
Rural Utilities Service, 3.63% to 5.18% mortgage notes, with a maturity date of October 2040.	\$ 49,345,093	\$ 51,651,230
National Rural Utilities Cooperative Finance Corporation, mortgage notes at variable and fixed interest rates ranging from 2.30% to 6.51%, with maturity dates ranging from May 2030 through November 2038.	19,648,463	21,970,165
Federal Financing Bank loans with interest ranging from 2.28% to 3.55% maturing January 2045. These notes are guaranteed by the USDA Rural Utilities Service.	103,707,800	107,704,750
Federal Financing Bank loans with interest ranging from 2.11% to 3.28% maturing December 2048. These notes are guaranteed by the USDA Rural Utilities Service.	163,068,097	168,082,869
Federal Financing Bank loans with interest ranging from 1.88% to 4.79% maturing January 2050. These notes are guaranteed by the USDA Rural Utilities Service.	118,480,038	119,529,652
Federal Financing Bank loans with interest ranging from 4.81% to 4.84% maturing December 2054. These notes are guaranteed by the USDA Rural Utilities Service.	49,105,569	
CoBank loan with an interest rate of 4.10% with a maturity date of September 2037.	14,661,949	15,614,383
Note Payable to South Central Planning and Development Commission, Inc. The note is interest free for 24 months and carries and interest rate of 4.00% for the remaining 36 months. This note matured during 2025.		3,897
Note Payable to South Central Planning and Development Commission, Inc. The note is interest free for 90 months and payable in monthly installments of approximately \$399. After 90 months, if the Forgiveness Requirements are met, the remaining balance on the loan will be forgiven. If not, the remaining debt will become due at that date.	51,867	55,857
	\$ 518,068,876	\$ 484,612,803
Less: Current Maturities of Notes Payable	18,316,956	17,673,353
Notes Payable, Less Current Maturities	\$ 499,751,920	\$ 466,939,450

As of December 31, 2025, the Cooperative has \$187,506,431 available for loan advance from FFB.

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Annual future maturities of notes payable as of December 31, 2025 are as follows:

	CFC	FFB	RUS	CoBank	SCPD	Total
2026	\$ 2,409,353	\$ 12,497,741	\$ 2,412,897	\$ 992,177	\$ 4,788	\$ 18,316,956
2027	2,500,780	10,069,107	2,527,036	1,033,577	4,788	16,135,288
2028	2,596,165	13,970,695	2,646,374	1,076,705	4,788	20,294,727
2029	2,695,701	18,240,889	2,771,848	1,121,634	4,788	24,834,860
2030	2,665,641	15,070,362	2,903,062	1,168,436	4,788	21,812,289
Thereafter	6,780,823	364,512,710	36,083,876	9,269,420	27,927	416,674,756
	<u>\$ 19,648,463</u>	<u>\$ 434,361,504</u>	<u>\$ 49,345,093</u>	<u>\$ 14,661,949</u>	<u>\$ 51,867</u>	<u>\$ 518,068,876</u>

15. Leasing Activities

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

	December 31,	
	2025	2024
Operating Leases		
Operating Lease Right of Use Assets	\$ 344,537	\$ 246,112
Accumulated Depreciation	285,459	126,031
Right of Use Lease Assets, net	<u>\$ 59,078</u>	<u>\$ 120,081</u>
Current Maturities of Right of Use Lease Obligations	\$ 59,078	\$ 61,003
Operating Right of Use Lease Obligations		59,078
Total Operating Lease Liabilities	<u>\$ 59,078</u>	<u>\$ 120,081</u>
Finance Leases		
Transportation Equipment	\$ 4,044,720	\$ 2,560,143
Accumulated Depreciation	1,159,730	413,107
Electric Plant in Service, net	<u>\$ 2,884,990</u>	<u>\$ 2,147,036</u>
Current Maturities of Finance Lease Obligations	\$ 898,149	\$ 565,367
Financing Lease Obligations	2,095,617	1,632,470
Total Finance Lease Liabilities	<u>\$ 2,993,766</u>	<u>\$ 2,197,837</u>

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Cooperative executed financing lease agreements for bucket trucks and a digger derrick truck. The leases have varying terms from 48 to 60 months. As of December 31, 2025, the weighted average discount rate for financing leases is 6.76%. The finance leases are included with Utility Plant in Service on the balance sheets.

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

The following summarizes the weighted average remaining lease term:

	December 31,	
	2025	2024
Weighted Average Remaining Lease Term		
Operating Leases	1 year	2 years
Finance Leases	4 years	4 years

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

Year Ending December 31:	Operating	Finance
2026	\$ 60,500	\$ 1,066,704
2027		1,066,704
2028		711,381
2029		337,929
2030		149,994
Total Lease Payments	\$ 60,500	\$ 3,332,712
Less: Interest	1,422	338,946
Present Value of Lease Liabilities	\$ 59,078	\$ 2,993,766

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	December 31,	
	2025	2024
Operating lease costs:		
Administrative and General	\$ 168,624	\$ 137,020
Finance lease costs:		
Amortization of lease assets included in transportation clearing account	\$ 746,624	\$ 405,667
Interest on lease liabilities included in transportation clearing account	173,997	116,409
Total finance lease costs	\$ 920,621	\$ 522,076

16. Income Taxes

The Cooperative is exempt from federal income taxes under Section 501(c)(12) of the Internal Revenue Code provided that at least 85% of its revenue is derived from members for the sole purpose of meeting losses and expenses. For the years ended December 31, 2025 and 2024, the Cooperative qualified for exemption. Additionally, the Cooperative pays income tax on net unrelated business income.

DESI is a single member limited liability company that has elected to be taxed as a corporation under the Internal Revenue Code (IRC). The State of Louisiana also recognizes this election. Therefore, DESI files corporate income tax returns for both federal and state income tax reporting purposes. However, effective December 31, 2025, DESI elected to become a disregarded entity (i.e. division) of the Cooperative for both federal and state income tax reporting purposes. For tax years beginning after December 31, 2025, all business activities of DESI will be included in the applicable tax return filings of the Cooperative.

As of December 31, 2025, DESI has net operating losses (NOLs) for the State of Louisiana available to offset future sources of taxable income in the amount of \$715,899. The state NOL carry forward period is indefinite but the amount utilized on an annual basis is limited to 72% of taxable income of such year.

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

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Deferred income taxes result from transactions which enter into the determination of taxable income in different periods than recorded for financial reporting purposes. These differences represent future tax return consequences (increases and decreases in taxable income) when deferred tax assets and liabilities are recovered, realized or settled. Through the year ended December 31, 2025, DESI's principal sources of deferred federal and state income taxes are NOL carryovers and accelerated depreciation used for tax purposes. Subsequent to becoming a disregarded entity of the Cooperative, it is anticipated that the state NOL carryover remaining will not be utilized. Therefore, a valuation allowance for the related deferred tax asset has been recorded.

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

	December 31,	
	2025	2024
Operating Loss Carryforward	\$ 39,374	\$ 56,854
Operating Loss Carryforward - Valuation Allowance	(39,374)	(56,854)
Depreciation		
	<u>\$ -</u>	<u>\$ -</u>

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

	December 31,	
	2025	2024
Current Income Tax Expense	\$ (110,340)	\$ (119,003)
Provision for Deferred Income Tax Expense		16,958
Provision for Deferred Income Tax Expense - Increase in Valuation Allowance		(56,854)
Total Income Tax Expense	<u>\$ (110,340)</u>	<u>\$ (158,899)</u>

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

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Cooperative files its income tax return in the U.S. federal jurisdiction. DESI files its income tax return in the U.S. federal jurisdiction and in the State of Louisiana. The companies are no longer subject to income tax examination by U.S. federal jurisdiction and by the state taxing authorities for the years before 2022. The companies also recognize interest expense and penalties in operating expenses. During the years ended December 31, 2025 and 2024, \$72,520 and \$0, respectively, was paid related to interest and penalties. The amount is currently under appeal.

17. Pension Benefits

Narrative Description

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

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

Plan Information

The Cooperative's contributions to the RS Plan in 2025 and 2024 represented less than five percent of the total contributions made to the RS Plan by all participating employers. The Cooperative made contributions to the RS Plan of \$6,020,952 in 2025 and \$5,606,075 in 2024. There have been no significant changes that affect the comparability of 2025 and 2024 contributions. Pension expense for the years ended December 31, 2025 and 2024, including amortization, was \$6,601,559 and \$6,186,681, respectively.

For the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the Retirement Security Plan was over 80% funded on January 1, 2025 and at January 1, 2024 based on the PPA funding target and PPA actuarial value of assets on those dates.

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

The employees also participate in a 401(k) plan, a defined contribution plan provided through National Rural Electric Cooperative Association. The Cooperative makes semi-monthly contributions to the plan matching up to three percent of an employee's salary. The cost for the Cooperative was \$731,217 and \$684,436 for the years ended December 31, 2025 and 2024, respectively.

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

18. Post-Retirement Benefits Other than Pensions

The Cooperative continues to fund benefit costs on a pay-as-you-go basis. The benefit provided by the Cooperative is certain health insurance coverage for retired employees. Substantially all of the Cooperative's employees may become eligible for these benefits if they reach normal retirement age while working for the Cooperative. Effective January 1, 2025, the stop loss increases to \$150,000 per claim. The total claims and administrative fees paid, net of premiums collected, were \$550,828 and \$713,694 for 2025 and 2024, respectively.

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

	December 31,	
	2025	2024
I) Funded Status at End of Year:		
APBO Balance	\$ (26,409,547)	\$ (21,729,124)
Fair Value of Plan Assets		
APBO in Excess of Plan Assets	\$ (26,409,547)	\$ (21,729,124)
II) Amounts Recognized in the Balance Sheets:		
Current Liability	\$ (1,333,444)	\$ (1,237,827)
Noncurrent Liability	(25,076,103)	(20,491,297)
Unrecognized Actuarial Loss - Deferred Charge	21,006,868	16,326,445
Net Accumulated Post-Retirement Benefit Obligation	\$ (5,402,679)	\$ (5,402,679)
III) Amounts Not Yet Recognized in Net Periodic Post-Retirement Benefit Cost		
Unrecognized Actuarial Loss	\$ 21,006,868	\$ 16,326,445
Net Prior Service Credit		
Deferred Charge - Unrecognized Actuarial Loss	\$ 21,006,868	\$ 16,326,445
IV) Net Periodic Benefit Cost - Recognized in Deferred Charges:		
Service Cost	\$ 448,197	\$ 474,634
Interest Cost	1,239,723	1,025,653
Actuarial Gain (Loss)	2,992,503	(83,497)
Net Periodic Benefit Cost - Deferred Charge	\$ 4,680,423	\$ 1,416,790
V) Amounts Recognized in Deferred Charges:		
Estimated Premiums Paid by the Cooperative	\$ (1,237,827)	\$ (1,141,256)
VI) Amount Recognized in Statements of Operations and Patronage Capital:		
Actual Premiums Expensed by the Cooperative	\$ 516,623	\$ 678,590

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Economic Assumptions

The discount rate used to develop the accumulated post-retirement benefit obligation (APBO) was 6.10% and 6.05%, for the years ended December 31, 2025 and 2024, respectively. The assumed health care cost trend rates are as follows for 2024:

	Trend Rate	Declining to Over 5 Years
Pre-65 - Medical and Drug	11.60%	4.75%
Post-65 - Medical and Drug	28.81%	4.75%

The Cooperative has not funded plan assets as of December 31, 2025 and 2024.

As discussed in Note 9, the Cooperative recognizes post-retirement expense for rate making purposes on a pay-as-you-go method in accordance with LPSC Order Number S-32362.

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

2026	\$ 1,333,444
2027	1,395,219
2028	1,411,663
2029	1,417,042
2030	1,431,520
2031 - 2035	8,117,157

19. Deferred Credits

Deferred Credits consist of the following:

	December 31,	
	2025	2024
Accrued Employee Compensated Absences	\$ 7,029,662	\$ 6,584,400
Economic Development Funds	10,900	10,900
Unclaimed Property	180,309	225,843
Storm Costs - Regulatory Liability	3,772,446	3,866,140
Other	190,776	110,045
	<u>\$ 11,184,093</u>	<u>\$ 10,797,328</u>

Refer to Note 23, Natural Disasters, for additional information on Storm Costs – Regulatory Liability.

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

20. Self-Funded Health Insurance

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

Effective January 1, 2014, the Cooperative became self-insured for medical claims. The claims reserves related to general liability and medical liability, which are included in "other current and accrued liabilities" in the consolidated balance sheets, totaled \$614,900 and \$615,400 at December 31, 2025 and 2024, respectively.

The Cooperative has established a self-insurance program covering medical benefits for substantially all of its employees. The Cooperative limits its losses through the use of stop-loss policies from reinsurers. Specific individual losses for claims are limited to \$150,000 a year. For the year ended December 31, 2025, the Cooperative contributed \$5,180,024, paid administrative fees of \$841,194, collected reinsurance of \$284,596, and employees and retirees contributed \$1,170,604.

21. Related Party Transactions

The Cooperative collects voluntary contribution from customer billing and remits them to The DEMCO Foundation, Inc. (the Foundation), a related party through common management. DEMCO remitted \$313,899 and \$321,739 of contributions to the Foundation for the years ended December 31, 2025 and 2024, respectively. Included in other accounts receivable are services due from the Foundation of \$119,477 and \$147,372 as of December 31, 2025 and 2024, respectively.

22. Commitments, Contingencies and Litigation

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

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

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

23. Natural Disasters

The Cooperative experiences natural disasters on occasion and, as a result, requests funding from the Federal Emergency Management Agency (FEMA) based on the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act). As part of the process of requesting funds from FEMA, the Cooperative must comply with the provisions of the Louisiana Homeland Security and Emergency Assistance and Disaster Act (Louisiana Disaster Act). Compliance with the Louisiana Disaster Act is administered by the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP).

The Cooperative had applied for reimbursement under the Federal Emergency Management Agency (FEMA) Public Assistance Program, administered through GOHSEP, for the following events:

<u>Disaster Name</u>	<u>Year of Event</u>
DR-1603: Hurricane Katrina	2005
DR-1786: Hurricane Gustav	2008
DR-4277: 2016 Floods	2016
DR-4570: Hurricane Delta	2020
DR-4590: Winter Storm Uri	2021
DR-4611: Hurricane Ida	2021
DR-4817: Hurricane Francine	2024

Restoration activities include:

- Debris removal (FEMA Category A)
- Emergency protective measures (Category B)
- Interest on loans (Category E)
- Permanent repairs and replacement of distribution and transmission facilities (Category F)
- Administrative and project management costs (Category Z)
- Note: Insurance recoveries, if any, reduce FEMA-eligible costs.

Accounting for Storm Restoration Costs

Storm restoration costs are recorded as incurred and classified within Distribution and Transmission Operation and Maintenance Expenses in accordance with the RUS Uniform System of Accounts. Pursuant to ASC 980, Regulated Operations, storm restoration costs are deferred as a regulatory asset when management concludes recovery is probable through:

- FEMA Public Assistance reimbursement, and/or
- Future rates approved by the Cooperative's Board of Directors or applicable regulatory authority.

Permanent replacements are recorded in Transmission Plant (Accounts 350–359) and Distribution Plant (Accounts 360–373). Retirements of damaged plant assets are recorded through Accumulated Depreciation (Account 108).

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Amounts are evaluated at each reporting date. If recovery is determined to be no longer probable, any deferred balance is charged to expense.

During the year ended December 31, 2025, the Cooperative submitted a Hurricane Ida Dead Tree Removal claim (Category A) to FEMA totaling approximately \$1.3 million. The claim relates to tree cutting and removal activities performed from December 2023 through January 31, 2025. These costs were incurred to address trees that died as a result of the Hurricane Ida storm event and subsequently created hazardous conditions and outage risks to the Cooperative's electric facilities.

As of December 31, 2025, the claim had not been approved by FEMA, and approval was not considered probable. In accordance with the Cooperative's accounting policy, all related costs were expensed in the periods incurred. In January 2026, FEMA obligated the claim in the amount of approximately \$1.2 million. Accordingly, the Cooperative will recognize recovery of the obligated amount in 2026, resulting in a reduction of expenses and a favorable impact on 2026 net margins.

In addition, the Cooperative incurred approximately \$1.2 million in additional dead tree removal costs from February through December 2025. A claim for reimbursement of these costs will be submitted to FEMA in 2026. Due to the uncertainty surrounding potential obligation, these costs were expensed as incurred in 2025. Any amounts subsequently obligated by FEMA will be recognized in the period of approval as a reduction of expenses.

For the year ended December 31, 2024, the Cooperative incurred costs associated with Hurricane Francine totaling approximately \$5.7 million. Of this amount, approximately \$4.0 million was deemed eligible for estimated FEMA reimbursement. As of December 31, 2025, approximately \$0.5 million of the submitted claims had been obligated and paid by FEMA, while approximately \$3.5 million remained pending FEMA's final review and obligation. The remaining \$3.5 million was subsequently obligated by FEMA in January 2026. Of the total \$5.7 million in storm-related costs, approximately \$1.1 million was recorded to utility plant and approximately \$3.1 million was recorded as a regulatory asset as of December 31, 2025. As of December 31, 2024, approximately \$1.1 million was included in utility plant and approximately \$3.4 million was reflected as a regulatory asset.

FEMA Accounts Receivable

FEMA reimbursement is generally 75% of eligible costs unless otherwise approved by FEMA upon each event declaration.

FEMA receivables are recorded in Account 143 – Other Accounts Receivable when:

- Project Worksheets (PWs) have been formally obligated, and
- Collection is considered probable.

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The table below depicts a summary of accounts receivable to date as of December 31, 2025, by storm event:

Description	Hurricane Delta (2020)	Winter Storm Uri (2021)	Hurricane Ida (2021)	Hurricane Francine (2024)	Total
Eligible Costs Submitted	\$ 3,023,341	\$ 1,738,376	\$ 60,327,158	\$ 663,099	\$ 65,751,974
FEMA/GOHSEP Amount Approved	2,824,830	1,619,388	57,766,298	497,324	62,707,840
Amount Paid	2,776,771	1,564,045	55,041,720	497,324	59,879,860
FEMA Receivable at Year End	<u>\$ 48,059</u>	<u>\$ 55,343</u>	<u>\$ 2,724,578</u>	<u>\$ 0</u>	<u>\$ 2,827,980</u>

Regulatory Assets for Storm Costs

Storm-related regulatory assets are recorded in Account 182 – Other Regulatory Assets and represent costs expected to be recovered through future FEMA reimbursement or future rates. These costs have been submitted to FEMA for claim approval, and are pending FEMA review and final eligibility determination. The table below includes other regulatory assets as of December 31, 2025 and December 31, 2024:

Storm Event	December 31,	
	2025	2024
Hurricane Ida	\$ 3,973,407	\$ 6,001,457
Hurricane Ida - Dead Tree Removal Claim		33,928
Hurricane Francine	3,081,640	3,407,465
	<u>\$ 7,055,047</u>	<u>\$ 9,442,850</u>

Management believes the regulatory asset balance is recoverable based on historical regulatory practice and current recovery plans.

Interest and Financing

Storm restoration activities required significant upfront funding prior to FEMA reimbursement.

Such costs were financed through:

- Short-term lines of credit
- Long-term borrowings from RUS, CFC, and/or CoBank
- Internal operating funds

Interest incurred on storm-related borrowings during 2025 and 2024 totaled \$1.2 million and \$1.8 million, respectively.

For 2025, \$22,377 was expensed and \$1,152,466 was deferred and recorded as a regulatory asset.

For 2024, \$0 was expensed and \$1,820,507 was deferred and recorded as a regulatory asset.

Carrying costs are deferred only when authorized and probable of recovery.

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Liquidity Considerations

The timing of FEMA reimbursement and rate recovery may result in temporary increases in working capital requirements.

Management monitors liquidity through:

- Revolving credit facilities
- Cash flow forecasting
- Compliance with debt covenants

As of December 31, 2025 and 2024, the Cooperative was in compliance with all debt covenants.

Estimates and Uncertainties

The ultimate amount of FEMA reimbursement is subject to:

- FEMA eligibility determinations
- State-level audit review
- Project Worksheet validation
- Documentation review

Management has recorded receivables and regulatory assets based on currently available information and believes recovery is probable; however, final settlement amounts may differ from recorded estimates.

GOHSEP has the responsibility as the recipient of FEMA funds to disallow ineligible expenditures during the course of their claim audits. While GOHSEP has closed-out multiple projects from each of these events, GOHSEP has some projects from each of these events that remain in their audit queue and are pending project close-outs. Until projects are fully closed out by GOHSEP, claim amounts remain subject to potential adjustment as a result of their final close-out audit. Any changes to eligible amounts are recorded upon notification from GOHSEP. The Cooperative is not aware of any future potential adjustments at this time that could materially impact the results of this financial report. The table provided below includes reserves for the uncertainties surrounding potential uncollectibles as of December 31, 2025 and December 31, 2024.

Storm Event	December 31,	
	2025	2024
Hurricane Delta	\$ 23,313	\$ 147,448
Winter Storm Uri		85,519
	<u>\$ 23,313</u>	<u>\$ 232,967</u>

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Additionally, the Cooperative has established a contingent liability account to address communications with GOHSEP regarding potential project close-out adjustments that were in process but not yet brought to completion. This estimated liability amount was developed based upon estimates from GOHSEP and based upon historical experience in claim adjustments. The table provided below includes the contingent liability balances.

Storm Event	December 31,	
	2025	2024
Hurricane Gustav	\$ 1,239,507	\$ 3,633,172
Hurricane Katrina	122,776	
Hurricane Ida	2,386,849	
	<u>\$ 3,749,132</u>	<u>\$ 3,633,172</u>

24. Rate Matters

The Cooperative's annual report filings are prepared in accordance with the Formula Rate Plan (FRP) approved by the Louisiana Public Service Commission ("LPSC"). The 2025 test year filing is scheduled to result in rate adjustments, if any, becoming effective July 1, 2026. The FRP provides for annual updates to reflect a calculated times interest earned ratio (CTIER) of 1.50, with a bandwidth between 1.40 and 1.60. Should the Cooperative's CTIER fall either above 1.60 or below 1.40, rates shall be adjusted to meet a midpoint of 1.50. If the CTIER falls within 1.40-1.60, there will be no changes in rates, subject to the additional revenue checks listed below:

- Calculated Modified Debt Service Coverage (MDSC) ratio of 1.70
- Calculated Equity to Assets Ratio of 15%

The FRP is in effect for test years ending December 31, 2025, 2026, and 2027, which will result in annual report filings and potential rate adjustments becoming effective in 2026, 2027, and 2028, respectively.

25. Subsequent Events

On January 28, 2026, FEMA obligated additional Project Worksheets totaling approximately \$8.7 million. These included obligations for Hurricane Ida (Interest claim) of approximately \$4.0 million, Hurricane Ida (Dead Tree Removal claim) of approximately \$1.2 million and Hurricane Francine (Category F claim) of approximately \$3.5 million. These approvals were considered non-adjusting subsequent events.

Subsequent to December 31, 2025, the Cooperative drew down \$19,950,287 from FFB at 4.717% with a maturity date of December 31, 2054.

The Cooperative has evaluated all subsequent events through April 8, 2026, the date the consolidated financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

Schedule 1

CONSOLIDATING INFORMATION
BALANCE SHEET
DECEMBER 31, 2025

	ASSETS				
	DEMCO	DEMCO Energy Services, Inc.	Dixie Business Development Center, Inc.	Eliminating Entries	Consolidated Total
UTILITY PLANT					
Electric Plant in Service	\$ 862,515,660	\$	\$	\$	\$ 862,515,660
Other Fixed Assets		292,480	1,738,469		2,030,949
Right of Use Lease Assets	344,537				344,537
Construction Work in Progress	8,676,868				8,676,868
	<u>\$ 871,537,065</u>	<u>\$ 292,480</u>	<u>\$ 1,738,469</u>	<u>\$ 0</u>	<u>\$ 873,568,014</u>
Less: Accumulated Provision for Depreciation	<u>213,991,202</u>	<u>113,772</u>	<u>914,944</u>		<u>215,019,918</u>
Total Utility Plant, net	<u>\$ 657,545,863</u>	<u>\$ 178,708</u>	<u>\$ 823,525</u>	<u>\$ 0</u>	<u>\$ 658,548,096</u>
INVESTMENTS AND OTHER ASSETS					
Investments in Associated Organizations	\$ 14,448,128	\$ 1,000	\$	\$	\$ 14,449,128
Non-Utility Property	2,662,941				2,662,941
Investments, at cost plus equity in undistributed earnings	1,467,744			(1,467,744)	
Notes Receivable, Long-Term Portion	24,398				24,398
Notes Receivable, Long-Term Portion - Intercompany	77,658			(77,658)	
Total Investments and Other Assets	<u>\$ 18,680,869</u>	<u>\$ 1,000</u>	<u>\$ 0</u>	<u>\$ (1,545,402)</u>	<u>\$ 17,136,467</u>
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 4,151,028	\$ 47,821	\$ 75,079	\$	\$ 4,273,928
Notes Receivable, Current Portion	45,840				45,840
Notes Receivable, Current Portion - Intercompany	25,886			(25,886)	
Accounts Receivable					
Consumers, net of allowance of \$981,670	16,817,435				16,817,435
FEMA, net of allowance of \$0	2,827,980				2,827,980
Intercompany Receivables	55,031	653,021		(708,052)	
Other Receivables, net of allowance of \$0	1,997,325	1,444	700		1,999,469
Unbilled Revenue	15,652,122				15,652,122
Under-Collected Purchase Power Cost Adjustment	10,060,947				10,060,947
Materials and Supplies	8,450,891	15,412			8,466,303
Other Current and Accrued Assets	2,581,305	2,765	4,589		2,588,659
Total Current Assets	<u>\$ 62,665,790</u>	<u>\$ 720,463</u>	<u>\$ 80,368</u>	<u>\$ (733,938)</u>	<u>\$ 62,732,683</u>
DEFERRED CHARGES	<u>\$ 30,721,596</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 30,721,596</u>
TOTAL ASSETS	<u>\$ 769,614,118</u>	<u>\$ 900,171</u>	<u>\$ 903,893</u>	<u>\$ (2,279,340)</u>	<u>\$ 769,138,842</u>
	EQUITIES AND LIABILITIES				
EQUITIES					
Memberships	\$ 326,940	\$	\$	\$	\$ 326,940
Net Investment in Fixed Assets			771,658	(771,658)	
Undesignated			(103,061)	103,061	
Patronage Capital	120,367,095				120,367,095
Other Equities	17,327,843				17,327,843
Member's Equity		799,147		(799,147)	
Total Equities	<u>\$ 138,021,878</u>	<u>\$ 799,147</u>	<u>\$ 668,597</u>	<u>\$ (1,467,744)</u>	<u>\$ 138,021,878</u>
LONG-TERM DEBT					
Notes Payable, Less Current Maturities	\$ 499,704,841	\$	\$ 47,079	\$	\$ 499,751,920
Notes Payable, Less Current Maturities - Intercompany			77,658	(77,658)	
Financing Lease Obligations, Less Current Maturities	2,095,617				2,095,617
Operating Right of Use Lease Obligations, Less Current Maturities					0
Deferred Interest - RUS Notes					0
Total Long-Term Debt	<u>\$ 501,800,458</u>	<u>\$ 0</u>	<u>\$ 124,737</u>	<u>\$ (77,658)</u>	<u>\$ 501,847,537</u>
NON-CURRENT LIABILITIES					
Post-Retirement Benefit Obligation, Less Current Maturities	<u>\$ 25,076,103</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 25,076,103</u>
CURRENT LIABILITIES					
Current Maturities of Notes Payable	\$ 18,312,168	\$	\$ 4,788	\$	\$ 18,316,956
Current Maturities of Notes Payable - Intercompany			25,886	(25,886)	
Current Maturities of Finance Lease Obligations	898,149				898,149
Current Maturities of Right of Use Lease Obligations	59,078				59,078
Current Maturities of Post-Retirement Benefit Obligation	1,333,444				1,333,444
Lines of Credit	37,919,668				37,919,668
Accounts Payable - Purchased Power	14,385,259				14,385,259
Accounts Payable - Other	6,824,886		1,199		6,826,085
Intercompany Payables	653,021		55,031	(708,052)	0
Consumer Deposits	9,552,300				9,552,300
Accrued Taxes	736,604	97,023			833,627
Accrued Interest	570,895				570,895
Other Current and Accrued Liabilities	2,286,114	4,001	23,655		2,313,770
Patronage Capital Retired by Non-Cash Discounting	<u>\$ 93,531,586</u>	<u>\$ 101,024</u>	<u>\$ 110,559</u>	<u>\$ (733,938)</u>	<u>\$ 93,009,231</u>
DEFERRED CREDITS	<u>\$ 11,184,093</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11,184,093</u>
TOTAL EQUITIES AND LIABILITIES	<u>\$ 769,614,118</u>	<u>\$ 900,171</u>	<u>\$ 903,893</u>	<u>\$ (2,279,340)</u>	<u>\$ 769,138,842</u>

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

Schedule 2

CONSOLIDATING INFORMATION
STATEMENT OF OPERATIONS AND PATRONAGE CAPITAL
DECEMBER 31, 2025

	DEMCO	DEMCO Energy Services, Inc.	Dixie Business Development Center, Inc.	Eliminating Entries	Consolidated Total
OPERATING REVENUE					
Residential	\$ 240,563,966	\$	\$	\$	\$ 240,563,966
Commercial and Industrial	61,266,387				61,266,387
Public Street and Highway Lighting	377,552				377,552
Other Sales to Public Authorities	4,149,784				4,149,784
Rent from Electric and Other Property	1,306,661		235,170		1,541,831
Other Revenue	4,462,049	511,647	36,371		5,010,067
Total Operating Revenues	<u>\$ 312,126,399</u>	<u>\$ 511,647</u>	<u>\$ 271,541</u>	<u>\$ 0</u>	<u>\$ 312,909,587</u>
OPERATING EXPENSES					
Purchased Power	\$ 179,606,890	\$ 14,232	\$	\$	\$ 179,621,122
Transmission - Operation	749,532				749,532
Transmission - Maintenance	282,452				282,452
Distribution - Operation	9,445,407				9,445,407
Distribution - Maintenance	23,306,851				23,306,851
Consumer Accounts	7,634,454				7,634,454
Customer Service and Information	326,904				326,904
Selling Expenses	1,087,062				1,087,062
Administrative and General Expenses	19,828,991	136,267	274,906		20,240,164
Depreciation	28,621,386	37,140	56,925		28,715,451
Taxes and Penalties	7,061,156	6,211			7,067,367
Other Expenses	288,976				288,976
Total Operating Expenses	<u>\$ 278,240,061</u>	<u>\$ 193,850</u>	<u>\$ 331,831</u>	<u>\$ 0</u>	<u>\$ 278,765,742</u>
Operating Margins (Deficits) before Fixed Charges	<u>\$ 33,886,338</u>	<u>\$ 317,797</u>	<u>\$ (60,290)</u>	<u>\$ 0</u>	<u>\$ 34,143,845</u>
FIXED CHARGES					
Interest on Long-Term Debt	\$ 17,597,595	\$	\$	\$	\$ 17,597,595
Amortization of Reacquired Debt	12,350				12,350
Other Interest	5,121,070				5,121,070
Total Fixed Charges	<u>\$ 22,731,015</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 22,731,015</u>
Operating Margins (Deficits) after Fixed Charges	<u>\$ 11,155,323</u>	<u>\$ 317,797</u>	<u>\$ (60,290)</u>	<u>\$ 0</u>	<u>\$ 11,412,830</u>
Other Capital Credits	<u>\$ 2,899,575</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,899,575</u>
NET OPERATING MARGINS (DEFICITS)	<u>\$ 14,054,898</u>	<u>\$ 317,797</u>	<u>\$ (60,290)</u>	<u>\$ 0</u>	<u>\$ 14,312,405</u>
NONOPERATING MARGINS					
Interest Income	\$ 261,806	\$	\$	\$	\$ 261,806
Other Income (Loss)	916,788				916,788
Affiliated Company Income	162,167			(162,167)	
Total Nonoperating Margins	<u>\$ 1,340,761</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (162,167)</u>	<u>\$ 1,178,594</u>
NET MARGINS BEFORE PROVISION FOR INCOME TAXES	<u>\$ 15,395,659</u>	<u>\$ 317,797</u>	<u>\$ (60,290)</u>	<u>\$ (162,167)</u>	<u>\$ 15,490,999</u>
PROVISION FOR INCOME TAX EXPENSE	<u>(15,000)</u>	<u>(95,340)</u>			<u>(110,340)</u>
NET MARGINS (DEFICIT)	<u>\$ 15,380,659</u>	<u>\$ 222,457</u>	<u>\$ (60,290)</u>	<u>\$ (162,167)</u>	<u>\$ 15,380,659</u>
PATRONAGE CAPITAL - BEGINNING OF PERIOD	106,666,783	733,690	728,887	(1,462,577)	106,666,783
Offset Prior Losses with Operating Margins	(56,157)				(56,157)
Special Bad Debt Equity Retirement	(283,429)				(283,429)
Transfer Non-Operating Margins to Other Equities	(1,178,594)				(1,178,594)
Transfer Subsidiary Margins to Other Equities	(162,167)				(162,167)
Dividends Declared		(157,000)		157,000	
PATRONAGE CAPITAL - END OF PERIOD	<u>\$ 120,367,095</u>	<u>\$ 799,147</u>	<u>\$ 668,597</u>	<u>\$ (1,467,744)</u>	<u>\$ 120,367,095</u>

DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

Schedule 3

CONSOLIDATING INFORMATION
STATEMENT OF CASH FLOWS
DECEMBER 31, 2025

	DEMCO	DEMCO Energy Services, Inc.	Dixie Business Development Center, Inc.	Eliminating Entries	Consolidated Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Net Margins (Deficits)	\$ 15,380,659	\$ 222,457	\$ (60,290)	\$ (162,167)	\$ 15,380,659
Adjustments to Reconcile Net Margins to Net Cash From Operating Activities					
Depreciation	30,770,130	37,140	56,925		30,864,195
Capital Credits	(2,141,890)				(2,141,890)
Gain on Debt Settlement	(950,088)				(950,088)
Affiliated Company Income	(162,167)			162,167	
(Increase) Decrease					
Accounts Receivable	(2,729,826)				(2,729,826)
Accounts Receivable - Other	511,597	(744)	5,300		516,153
Accounts Receivable - Intercompany	(19,579)	23,181		(3,602)	
Unbilled Revenue	(207,597)				(207,597)
Under-Collected Purchased Power Cost Adjustment	(9,170,383)				(9,170,383)
Inventories and Other Current and Accrued Assets	2,509,017	(3,240)	629		2,506,406
Deferred Charges	4,198,123				4,198,123
Increase (Decrease)					
Accounts Payable and Other Current Liabilities	(407,833)	5,412	358		(402,063)
Accounts Payable - Purchased Power	2,920,328				2,920,328
Accounts Payable - Intercompany	(23,181)		19,579	3,602	
Deferred Credits	386,765				386,765
Net Cash From Operating Activities	\$ 40,864,075	\$ 284,206	\$ 22,501	\$ 0	\$ 41,170,782
CASH FLOWS FROM INVESTING ACTIVITIES					
Additions to Plant	\$ (53,452,510)	\$ (137,835)	\$ (28,578)	\$	\$ (53,618,923)
Non-Utility Plant	(12,941)				(12,941)
Plant Removal Costs Over Salvage and Other Credits	(7,299,835)				(7,299,835)
Accounts Receivable - FEMA Disaster Grants	12,973,352				12,973,352
Other Property and Investments	547,607				547,607
Net (Advances) Payments - Notes Receivable - Intercompany	25,886			(25,886)	
Net (Advances) Payments - Notes Receivable	63,005				63,005
Dividends from Affiliated Company	157,000			(157,000)	
Net Cash From Investing Activities	\$ (46,998,436)	\$ (137,835)	\$ (28,578)	\$ (182,886)	\$ (47,347,735)
CASH FLOWS FROM FINANCING ACTIVITIES					
Payments on Long-Term Debt - RUS	\$ (2,306,138)	\$	\$	\$	\$ (2,306,138)
Payments on Long-Term Debt - FFB	(12,109,790)				(12,109,790)
Payments on Long-Term Debt - CoBank	(952,433)				(952,433)
Payments on Long-Term Debt - CFC	(2,321,702)				(2,321,702)
Payments on Long-Term Debt - Other	(1,237,827)		(33,773)	25,886	(1,245,714)
Payments on Lease Obligations	(817,678)				(817,678)
Advances of Long-Term Debt - FFB	51,154,023				51,154,023
Line of Credit - Net	(21,151,708)				(21,151,708)
Dividends to Affiliated Company		(157,000)		157,000	
Memberships and Other Equities	(13,780)				(13,780)
Net Cash From Financing Activities	\$ 10,242,967	\$ (157,000)	\$ (33,773)	\$ 182,886	\$ 10,235,080
CHANGE IN CASH AND CASH EQUIVALENTS	\$ 4,108,606	\$ (10,629)	\$ (39,850)	\$ 0	\$ 4,058,127
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	42,422	58,450	114,929		215,801
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,151,028	\$ 47,821	\$ 75,079	\$ 0	\$ 4,273,928
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION					
Cash Paid During the Year for:					
Interest on Long-Term Debt	\$ 17,592,473	\$ 0	\$ 74	\$ 0	\$ 17,592,547
Federal and State Income Taxes	\$ 0	\$ 89,789	\$ 0	\$ 0	\$ 89,789
SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION					
Assets Obtained Through Finance Leases	\$ 1,454,179	\$ 0	\$ 0	\$ 0	\$ 1,454,179
Assets Obtained Through Operating Right of Use Leases	\$ 98,425	\$ 0	\$ 0	\$ 0	\$ 98,425
Patronage Capital Retired by Non-Cash Discounting	\$ 283,429	\$ 0	\$ 0	\$ 0	\$ 283,429
Developer Settlement of Debt Through Land Swap	\$ 1,699,912	\$ 0	\$ 0	\$ 0	\$ 1,699,912

COMPLIANCE AND INTERNAL CONTROL SECTION

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

CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Directors
Dixie Electric Membership Corporation
Greenwell Springs, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Dixie Electric Membership Corporation, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise Dixie Electric Membership Corporation's financial statements, and have issued our report thereon dated April 8, 2026.

Report on Internal Control Over Financial Reporting

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

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

April 8, 2026

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

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

**BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
LUBBOCK, TEXAS**

DIXIE ELECTRIC MEMBERSHIP CORPORATION
GREENWELL SPRINGS, LOUISIANA

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

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

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Independent Accountant's Report
on Applying Agreed-Upon Procedures

Dixie Electric Membership Corporation
Greenwell Springs, Louisiana

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA'S) Statewide Agreed-Upon Procedures (SAUPs) for the year ended December 31, 2025. Dixie Electric Membership Corporation's management is responsible for those C/C areas identified in the SAUPs.

Dixie Electric Membership Corporation (DEMCO) has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the year ended December 31, 2025. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are described in Schedule A.

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

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

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

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

June 23, 2026

Schedule A – Agreed-Upon Procedures and Findings

Procedures Performed and Associated Findings

Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures

1) *Written Policies and Procedures*

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

Schedule A – Agreed-Upon Procedures and Findings

- No exceptions noted. We obtained the payroll/personnel policy. No issues were noted between policy and standards applicable to public funds in regard to Not-for-profit organizations.
- vi. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
 - No exceptions noted. We obtained the contracting policy. No issues were noted between policy and standards applicable to public funds in regard to Not-for-profit organizations.
- vii. **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
 - No exceptions noted. We obtained the travel and reimbursement policy. No issues were noted between policy and standards applicable to public funds in regard to not-for-profit organizations.
- viii. **Credit Cards (and debit cards, fuel cards, purchase cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
 - No exceptions noted. We obtained the credit card policy. No issues were noted between policy and standards applicable to public funds in regard to not-for-profit organizations.
- ix. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
 - Not Applicable. DEMCO is organized as a 501 (C)(12) Cooperative that is exempt for tax purposes and is deemed eligible for grant programs such as those received from the Department of Homeland Security through the Federal Emergency Management Agency (FEMA) disaster assistance program. Neither the board of directors nor the management of DEMCO is considered a public servant under Louisiana Law. The board of directors are elected by the members of DEMCO. The chief executive officer is hired by the board of directors. Other management is hired by the chief executive officer.
- x. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Schedule A – Agreed-Upon Procedures and Findings

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

Schedule A – Agreed-Upon Procedures and Findings

2) Board or Finance Committee

- A. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and
- i. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - No exceptions noted. During the financial statement audit, we obtained the board minutes which includes the finance committee's report for each month and we noted there were board meetings each month during the 2025 fiscal period.
 - ii. For those entities reporting on the governmental accounting model, review the minutes from all regularly scheduled board/finance committee meetings held during the fiscal year and observe whether the minutes from at least one meeting each month referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual comparisons, at a minimum, on all proprietary funds, and semi-annual budget-to-actual comparisons, at a minimum, on all special revenue funds. Alternatively, for those entities reporting on the not-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.
 - No exceptions noted. We noted that the monthly board minutes included a report from management regarding the funding received from the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP). We also noted that the public funds did not exceed 10% of the entity's collections for the year ended December 31, 2025.
 - iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.
 - Not applicable. DEMCO is an electric cooperative organized under the 501 (C)(12) of the internal revenue code and is not considered a governmental entity but rather is considered a tax exempt cooperative.
 - iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.
 - No exceptions noted. No audit findings were noted during the previous audit period and thus there are no written updates that are applicable.

Schedule A – Agreed-Upon Procedures and Findings

3) ***Bank Reconciliations***

- A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
- i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
 - No exceptions noted. We tested all of the December 2025 bank reconciliations during the year ended December 31, 2025 financial statement audit. We noted that the reconciliations included evidence that they were prepared within 2 months of the related statement closing date.
 - ii. Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within 1 month of the date the reconciliation was prepared (e.g., initialed and dated or electronically logged); and
 - No exceptions noted. We tested all of the December 2025 bank reconciliations during the year ended December 31, 2025 financial statement audit. We noted that the reconciliations included written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within 1 month of the date the reconciliation was prepared.
 - iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.
 - No exceptions noted. We tested all of the December 2025 bank reconciliations during the year ended December 31, 2025 financial statement audit. We noted that there were no reconciling items that have been outstanding for more than 12 months from the statement closing date.

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

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

Schedule A – Agreed-Upon Procedures and Findings

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

Schedule A – Agreed-Upon Procedures and Findings

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

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

Schedule A – Agreed-Upon Procedures and Findings

- C. For each location selected under procedure #5A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and
- i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity, and
 - No exceptions noted.
 - ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.
 - No exceptions noted.
- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.
- No exceptions noted. We selected 5 electronic disbursements from the main operating account from the December 2025 bank statement.

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

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement). Obtain supporting documentation, and
- i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., itemized receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported); and

Schedule A – Agreed-Upon Procedures and Findings

- ii. Observe that finance charges and late fees were not assessed on the selected statements.
- C. Using the monthly statements or combined statements selected under procedure #6B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection) . For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.
 - Not applicable. We did not test the above procedures due to there being no credit cards, debit cards, fuel cards, or purchase cards that were used for disbursements of federal funds during the year ended December 31, 2025.

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

- A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected
 - i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana (doa.la.gov/doa/ost/ppm-49-travel-guide/) or the U.S. General Services Administration (www.gsa.gov);
 - ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;
 - iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures procedure #1A(vii); and
 - iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.
 - Not applicable. We did not test the above procedures due to there being no travel and travel related expense reimbursements that were used for disbursement of federal funds during the year ended December 31, 2025.

Schedule A – Agreed-Upon Procedures and Findings

8) Contracts

- A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Alternatively, the practitioner may use an equivalent selection source, such as an active vendor list. Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and
- i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law;
 - Not applicable. Per the Compliance Matrix provided by the Office of Management and Budget, procurement is not applicable for program 97.036 – Disaster Grants-Public Assistance (Presidentially Declared Disaster).
 - ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter);
 - Not applicable. Per the Compliance Matrix provided by the Office of Management and Budget, procurement is not applicable for program 97.036 – Disaster Grants-Public Assistance (Presidentially Declared Disaster).
 - iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and
 - No exceptions noted. None of the contractors in current year's federal spending contained any contract changes. We obtained the applicable documentation per the procedure above.
 - iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.
 - No exceptions noted. Five contracts were obtained and the supporting invoices agreed to the contract terms along with the related payments which agreed to the terms and conditions of the contracts.

9) Payroll and Personnel

- A. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Schedule A – Agreed-Upon Procedures and Findings

- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and
- i. Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);
 - ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;
 - iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and
 - iv. Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.
- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.
- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums) have been paid, and any associated forms have been filed, by required deadlines.
- Not applicable. We did not test the above procedures since there were no payroll expenses submitted for federal fund reimbursement during the year ended December 31, 2025.

10) ***Ethics***

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A obtain ethics documentation from management, and
- i. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and
 - ii. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.
- B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

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

Statewide Elected Official
Legislator
Public Service Commissioner
Public Servant
Registered Lobbyist

11) *Debt Service*

- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.
- B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).
 - Not applicable. DEMCO only maintains loans including secured and unsecured obligations to entities that lend to Cooperatives. DEMCO's board of directors approve any new loans which is documented in the DEMCO board minutes. Compliance with debt service is provided by DEMCO to its lenders but the lenders also determine compliance with respective debt service financial ratios. DEMCO doesn't issue general obligation bonds that are required to be approved by the voters nor be approved by the State Bond Commission; therefore, the provisions of Debt Service are not applicable to DEMCO.

12) *Fraud Notice*

- A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.
- B. Observe that the entity has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Schedule A – Agreed-Upon Procedures and Findings

- Not applicable. DEMCO is an electric cooperative organized under the 501 (C)(12) of the internal revenue code and is not considered a governmental entity but rather is considered a tax exempt cooperative. Both the board of directors and the chief executive officer of DEMCO are not considered an “Agency Head” since DEMCO is not considered an agency of the Louisiana Government. Agency is defined as a department, office, division, agency, commission, board, committee or other organizational unit of a governmental entity; therefore, the Fraud notification requirements are not applicable to DEMCO.

13) *Information Technology Disaster Recovery/Business Continuity*

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

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

Schedule A – Agreed-Upon Procedures and Findings

- E. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency's information technology assets have completed cybersecurity training as required by R.S. 42:1267. The requirements are as follows:
- i. Hired before June 9, 2020 - completed the training; and
 - ii. Hired on or after June 9, 2020 - completed the training within 30 days of initial service or employment
- Not Applicable. Under L.A. R.S. 42:1267 employees or elected officials with access to state or local agency information technology assets are required to complete training as described in procedure 13 E. DEMCO is organized as a 501(C)(12) Cooperative that is exempt for tax purposes and employees/board members are not part of a state or local agency and therefore do not have access to such agency's information technology assets.

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

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

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

DIXIE ELECTRIC MEMBERSHIP CORPORATION

**SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
YEAR ENDED DECEMBER 31, 2025**

Agency Head Name: Randall Pierce, Chief Executive Officer

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