JEFFERSON DAVIS ELECTRIC COOPERATIVE, INC.
Jennings, Louisiana

Financial Statement and
Report of Independent Auditor

For the Years Ended December 31, 2021 and 2020

JEFFERSON DAVIS ELECTRIC COOPERATIVE, INC.

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JEFFERSON DAVIS ELECTRIC COOPERATIVE, INC.

BOARD OF DIRECTORS

Joseph L. Tupper, Jr.	District No. 1	Elton Area
Kirk Weldon	District No. 2	Jennings Area
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Martin Zaunbrecher	District No. 6	Lake Charles Area
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Joseph L. Tupper, Jr.	President
Herman Thomas Precht, III	1st Vice-President
John V. Berken	Secretary-Treasurer
Michael J. Heinen	General Manager

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Jefferson Davis Electric Cooperative, Inc.
Jennings, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Jefferson Davis Electric Cooperative, Inc. (a nonprofit organization), which comprise the balance sheet as of December 31, 2021, related statements of revenues and expenses, equities and margins, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Jefferson Davis Electric Cooperative, Inc. as of December 31, 2021, and the changes in its equities and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Jefferson Davis Electric Cooperative, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Prior Period Financial Statements

The financial statements of Jefferson Davis Electric Cooperative, Inc. as of December 31, 2020 were audited by other auditors whose report dated May 21, 2021 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Jefferson Davis Electric Cooperative, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Jefferson Davis Electric Cooperative, Inc.'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2022, on our consideration of Jefferson Davis Electric Cooperative, Inc.'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 Jefferson Davis Electric Cooperative, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jefferson Davis Electric Cooperative, Inc.'s internal control over financial reporting and compliance.

Langley, Williams & Co, LLC

Langley, Williams & Co, LLC
Jennings, Louisiana
June 28, 2022

FINANCIAL STATEMENTS

JEFFERSON DAVIS ELECTRIC COOPERATIVE, INC.

Balance Sheets

December 31, 2021 and 2020

ASSETS

	2021	2020
Utility plant:		
Electric plant in service, at cost	$ 61,439,950	$ 59,506,475
Construction work in progress	10,521,180	15,162,422
Accumulated depreciation	(16,252,946)	(15,237,725)
Net utility plant	55,708,184	59,431,172
Other property and investments:		
Investments in associated organizations	2,882,606	1,931,107
Current assets:		
Cash and cash equivalents	5,674,316	6,375,783
Accounts receivable, less allowance for doubtful accounts of $242,632 and $179,118 in 2021 and 2020, respectively	4,058,166	1,880,757
Disaster assistance receivable	218,347,991	170,231,532
Inventories	5,312,002	7,153,761
Other current assets	159,398	19,013
Total current assets	233,551,873	185,660,846
Unreimbursed, unbilled interest	4,790,786	630,395
Deferred charges	4,921,004	5,785,659
Total assets	$ 301,854,453	$ 253,439,179

The accompanying notes are an integral part of the basic financial statements.

JEFFERSON DAVIS ELECTRIC COOPERATIVE, INC.

Balance Sheets - (Continued)

December 31, 2021 and 2020

LIABILITIES AND CAPITAL

	2021	2020
Capital:		
Memberships	$ 37,990	$ 33,725
Patronage	17,417,452	14,027,795
Donated	4,808	4,808
Total capital	17,460,250	14,066,328
Long-term debt:		
National Rural Utilities Cooperative Finance Corporation (CFC)	22,498,971	18,784,468
Current liabilities:		
Accounts payable	13,263,227	87,440,177
Line of credit, CFC	232,159,447	120,000,000
Current portion of long-term debt	1,230,380	1,069,442
Member deposits	113,983	102,699
Other accrued liabilities	164,301	145,924
Total current liabilities	246,931,338	208,758,242
Deferred credits and other liabilities:		
Accumulated provision for postretirement benefits	8,309,228	8,613,750
Deferred credits	6,654,666	3,216,391
Total deferred credits and other liabilities	14,963,894	11,830,141
Total liabilities	284,394,203	239,372,851
Total liabilities and capital	$ 301,854,453	$ 253,439,179

The accompanying notes are an integral part of the basic financial statements.

JEFFERSON DAVIS ELECTRIC COOPERATIVE, INC.

Statements of Revenue and Expenses

For the Years Ended December 31, 2021 and 2020

	2021	2020
Operating revenue:		
Electricity sales	$ 25,095,908	$ 21,781,789
Miscellaneous electricity revenue	530,868	283,208
Total operating revenues	25,626,776	22,064,997
Operating expenses:		
Power purchased	14,039,612	14,391,980
Transmission - operation	4,605	1,909
Distribution - operation	1,666,556	2,453,389
Distribution - maintenance	1,880,414	2,353,361
General plant - maintenance	177,010	192,934
Customer accounts	711,463	608,136
Administrative and general	1,943,834	2,020,539
Depreciation and amortization	1,941,923	1,739,529
Taxes	317,627	326,555
Total operating expenses	22,683,043	24,088,333
Operating margins before interest expense	2,943,733	(2,023,336)
Interest expense	764,239	628,423
Operating margins	2,179,494	(2,651,759)
Nonoperating margins:		
Capital credits received	1,106,855	145,643
Interest income	34,690	35,706
Gain on disposition of assets	66,703	-
Other income	28,354	-
Total nonoperating margins	1,236,602	181,349
Net margins	$ 3,416,096	$ (2,470,410)

The accompanying notes are an integral part of the basic financial statements.

JEFFERSON DAVIS ELECTRIC COOPERATIVE, INC.

Statements of Equities and Margins

For the Years Ended December 31, 2021 and 2020

	Memberships	Patronage Capital	Donated Capital	Total
Balance at December 31, 2019	$ 38,800	$ 16,533,046	$ 4,808	$ 16,576,654
2020 net margins	-	(2,470,410)	-	(2,470,410)
Retirement of capital credits	-	(34,841)	-	(34,841)
Net change in memberships	(5,075)	-	-	(5,075)
Balance at December 31, 2020	33,725	14,027,795	4,808	14,066,328
2021 net margins	-	3,416,096	-	3,416,096
Retirement of capital credits	-	(26,439)	-	(26,439)
Net change in memberships	4,265	-	-	4,265
Balance at December 31, 2021	$ 37,990	$ 17,417,452	$ 4,808	$ 17,460,250

The accompanying notes are an integral part of the basic financial statements.

JEFFERSON DAVIS ELECTRIC COOPERATIVE, INC.

Statements of Cash Flows

For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Net margins	$ 3,416,096	$ (2,470,410)
Reconciliation of net margins to net cash used by operating activities:		
Depreciation and amortization	1,941,923	1,739,529
(Gain)/loss on sales of assets	(66,703)	-
Interest capitalized	(4,160,391)	(630,395)
Change in deferred regulatory charges	864,655	(3,442,767)
Change in deferred credits	(81,667)	-
Change in accumulated provision for postretirement benefits	(304,522)	193,464
Changes in current assets and liabilities:		
Accounts receivable	(2,177,409)	1,510,150
Other current assets	(140,385)	24,329
Accounts payable	(29,385,170)	171,343
Other accrued liabilities	18,377	(11,046)
Net cash used operating activities	(30,075,196)	(2,915,803)
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(12,824,660)	(153,788,315)
Cost to remove retired plant	3,163,379	1,291,320
Change in construction accounts payable	(44,791,780)	84,563,607
Change in disaster assistance receivable	(48,116,459)	(170,231,532)
Reimbursement of capital expenditures	11,319,719	132,277,878
Proceeds from sale of assets	189,330	-
Change in materials inventory	1,841,759	(5,569,411)
Change in investments in associated organizations	(951,499)	(52,591)
Net cash (used) provided by investing activities	(90,170,211)	(111,509,044)

The accompanying notes are an integral part of the basic financial statements.

JEFFERSON DAVIS ELECTRIC COOPERATIVE, INC.

Statements of Cash Flows - (Continued)

For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from financing activities:		
Advances on line of credit	227,359,447	118,500,000
Payments on line of credit	(115,200,000)	-
Payments on long-term debt	(1,069,442)	(1,023,123)
Issuance of long-term debt	4,944,883	-
Proceeds from deferred credits	4,900,000	-
Repayments on deferred credits	(1,380,058)	-
Change in member deposits	11,284	(37,305)
Retirement of capital credits	(26,439)	(34,841)
Net change in memberships	4,265	(5,075)
Net cash provided (used) by financing activities	119,543,940	117,399,656
Net change in cash and cash equivalents	(701,467)	2,974,809
Cash and cash equivalents, beginning of year	6,375,783	3,400,974
Cash and cash equivalents, end of year	$ 5,674,316	$ 6,375,783
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 4,936,343	$ 1,258,818

The accompanying notes are an integral part of the basic financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Regulatory Accounting

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

Patronage Capital

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

Utility Plant

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Utility Plant – (Continued)

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

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

Classification	Rate
Transmission plant	2.75%
Distribution plant	2.30% to 3.90%
General plant:	
Structures and improvements	3.00%
Transportation equipment	10.00% to 25.00%
Power operated equipment	6.00%
Other general plant	6.00% to 7.00%

Valuation of Long-Lived Assets

Management of the Cooperative periodically reviews the net carrying value of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset might not be recoverable. These reviews consider the net realizable value of each asset to determine whether an impairment in value has occurred, and whether there is a need for any impairment write-down. Impaired assets are reported at the lower of cost or fair value. At December 31, 2021, no assets were considered to be impaired.

Investments

Investments are generally included in the financial statements at cost. Investments in associated organizations are included at its patronage capital balance or at face value of related certificates, as appropriate.

Cash and Cash Equivalents

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

Revenue Recognition

The Cooperative implemented ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, effective January 1, 2019. Topic 606 requires entities to "recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services." The ASU details a five-step model that should be followed to achieve the core principle.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

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

To the extent that deliveries have occurred, but a bill has not been issued, the Cooperative records an estimate for energy delivered since the latest billings. The Cooperative calculates the estimate based upon the subsequent month's billing cycles and prorated based upon the number of days in each cycle and the number of days that relate to the prior period.

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

Accounts Receivable

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

Investments in Associated Organizations

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

Inventories

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Income Taxes

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

In accordance with the Financial Accounting Standards Board ("FASB") ASC 740-10 which also requires the disclosure of open tax years subject to examination and the policy for classifying interest and penalties, the Cooperative has performed an evaluation and determined that no uncertain tax liabilities or positions exist for the years ended December 31, 2021 and 2020. The Cooperative files income tax returns in the U.S. federal jurisdiction. The Cooperative is no longer subject to U.S. federal income tax examinations by tax authorities for a period of three beyond the filing of those returns.

Fair Value Measurements

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

ASC Topic 825, Financial Instruments, permits entities to choose to measure many financial assets and liabilities at fair value. The fair value of a financial instrument is the amount at which these instruments could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. December 31, 2021 and 2020, there were no assets or liabilities that were measured at fair value on a recurring basis. Certain assets are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis, but subject to fair value adjustments only in certain circumstances (for example, when there is evidence of impairment). The Cooperative had no assets measured at fair value on a nonrecurring basis at December 31, 2021 and 2020.

Use of Estimates

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

Advertising

Advertising costs are charged to expense when incurred. Advertising expense was $28,413 and $ 4,384 for the years ended December 31, 2021 and 2020, respectively.

2. UTILITY PLANT

Utility plant consisted of the following at December 31, 2021 and 2020:

	2021	2020
Transmission plant	$ 5,476,114	$ 5,260,736
Distribution plant	49,648,839	47,529,183
General plant	6,314,997	6,716,556
	61,439,950	59,506,475
Construction work in progress	10,521,180	15,162,422
Total	71,961,130	74,668,897
Accumulated depreciation	(16,252,946)	(15,237,725)
Total utility plant, net	$ 55,708,184	$ 59,431,172

Depreciation expense was $1,941,923 and $1,739,529 for the years ended December 31, 2021 and 2020.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of the following at December 31, 2021 and 2020:

	2021	2020
Cash on hand	$ 1,000	$ 1,000
Cash in bank	722,001	6,325,267
Cooperative Finance Corporation Daily Fund	4,951,315	49,516
	$ 5,674,316	$ 6,375,783

4. INVESTMENTS IN ASSOCIATED ORGANIZATIONS

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

Investments in associated organizations consisted of the following at December 31, 2021 and 2020:

	2021	2020
Arkansas Electric Cooperative Corp. - patronage capital	$ 291,013	$ 283,167
Southeastern Data Cooperative - patronage capital	99,033	99,418
Federated Rural Electric Insurance Exchange - patronage capital	376,581	401,513
CoBank common stock	41,647	58,210
Gresco Utility Supply, Inc.	938,282	66,665
Cooperative Finance Corporation (CFC):		
Membership	1,000	1,000
Patronage capital	567,189	452,780
Capital term certificates (CTC):		
Subscriptions (SCTC)	565,317	565,317
Loan (ZTC)	2,544	3,037
Total investment in CFC	1,136,050	1,022,134
Total investments in associated organizations	$ 2,882,606	$ 1,931,107

The capital term certificates invested in CFC are unsecured and subordinated. The SCTCs bear interest at an annual rate of 5% and mature between 2070 and 2080. The ZTCs are non-interest bearing and mature between 2021 and 2027.

5. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at December 31, 2021 and 2020:

	2021	2020
Consumer accounts receivable	$ 1,660,884	$ 1,472,547
Unbilled electric revenues	1,634,822	510,322
Customer contracts receivable	1,005,092	77,006
Total	4,300,798	2,059,875
Accumulated provision for uncollectible accounts	(242,632)	(179,118)
Total accounts receivable, net	$ 4,058,166	$ 1,880,757

6. DISASTER ASSISTANCE RECEIVABLE

In 2020, southwest Louisiana was struck by two hurricanes, Laura and Delta, which caused significant damage to the Cooperative's transmission and distribution plant. The Cooperative has recorded a receivable for what has been approved by the Federal Emergency Management Agency ("FEMA") via the Governor's Office of Homeland Security and Emergency Preparedness ("GOHSEP") which will reimburse the Cooperative for hurricane recovery related to costs through December 31, 2021.

7. DEFERRED CHARGES

Deferred charges consisted of the following at December 31, 2021 and 2020:

	2021	2020
Unrecognized actuarial loss on OPEB plan	$ 853,960	$ 1,293,585
Rural Utilities Service (RUS) prepayment fee	540,922	574,007
RS Plan prepayment	93,655	198,175
Regulatory asset - Hurricane Laura	3,411,333	3,718,602
Miscellaneous	21,134	1,290
Total deferred charges	$ 4,921,004	$ 5,785,659

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

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

In 2013, the Cooperative refinanced its debt with RUS through CFC. RUS charged the Cooperative a fee of $827,127 for early prepayment of the debt. The fee was deferred and is being amortized over twenty-five years.

At the December 2012 meeting of the I&FS Committee of the NRECA Board of Directors, the Committee approved an option to allow participating cooperatives in the RS Plan to make a contribution prepayment and reduce future required contributions. The prepayment amount is a cooperative's share, as of January 1, 2013, of future contributions required to fund the RS Plan's unfunded value of benefits earned to date using RS Plan actuarial valuation assumptions. The prepayment amount will typically equal approximately 2.5 times a cooperative's annual RS Plan required contribution as of January 1, 2013. After making the prepayment, for most cooperatives the billing rate is reduced by approximately 25%, retroactive to the January 1st of the year in which the amount is paid to the RS Plan. The 25% differential in billing rates is expected to continue for approximately 15 years from January 1, 2013. However, changes in interest rates, asset returns and other plan experience different from expected, plan assumption changes and other factors may have an impact on the differential in billing rates and the 15-year period. The Cooperative's prepayment of $1,212,506 was recorded as a deferred charge and is being amortized over ten years.

7. DEFERRED CHARGES – (Continued)

The damage from the aforementioned hurricanes has left several substations without power. In order to provide electricity to its customers, the Cooperative has rented large generators and at these substations at substantial cost. Additionally, the Cooperative has incurred significant costs for debris removal. On May 20, 2021, the Cooperative's board of directors approved establishing a regulatory asset for these costs net of expected FEMA reimbursement. Such asset will be amortized over ten years once completed.

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

The Cooperative has entered into various borrowing arrangements with CFC. As a result of these arrangements, substantially all assets of the Cooperative have been pledged as collateral. The loan agreement includes covenant requirements of the Cooperative, including maintenance of a debt service coverage ratio (as defined) of 1.35. The Cooperative was in compliance with this covenant at December 31, 2021.

The Cooperative lines of credit totaling $235,000,000 with CFC. At December 31, 2021 and 2020, $232,159,447 and $120,000,000, respectively, was advanced on the line of credit. At December 31, 2021, the interest rate on the lines of credit ranged 2.00% to 3.25%. At December 31, 2021, there were unfunded amounts totaling $2,840,553 remaining on these long-term facilities.

Long-term debt consists of mortgage notes payable to CFC. The notes are payable in quarterly installments of principal and interest at rates ranging from 2.00% to 5.60% maturing at various dates through February 28, 2051. As of December 31, 2021, annual maturities of long-term debt outstanding for the next five years are as follows:

Year	Annual Principal Payments
2022	$ 1,230,380
2023	996,658
2024	987,327
2025	1,031,301
2026	1,056,509
Thereafter	18,427,176
Total	$ 23,729,351

9. DEFERRED CREDITS

Deferred credits of $1,836,333 and $3,216,391 at December 31, 2021 and 2020, respectively, relate to advances from FEMA due to losses from damage caused by hurricanes, primarily Hurricane Rita. The Cooperative has hired an outside consultant to work with the GOHSEP to clear out the remaining project worksheets related to the storms. Based on the consultant's work, it appears that FEMA advanced approximately $3,000,000 in excess funding. During 2021, the Cooperative paid FEMA the sum of $1,380,057. Repayments are charged to deferred credits and will have little effect on net margins or patronage capital. The Cooperative began repayment during 2021.

Deferred credits of $4,818,333 and $-0- at December 31, 2021 and 2020, respectively, relates to a settlement agreement the Cooperative entered into with Driftwood LNG, LLC to allow Entergy Louisiana, LLC to provide electrical services in an area serviced by the Cooperative. This amount will be amortized over a ten-year period and charged to miscellaneous electricity revenue at a rate of $490,000 a year. Amounts recognized for the years ending December 31, 2021 and 2020 was $81,667 and $-0-, respectively.

10. PENSION PLAN

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

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

The Cooperative's contributions to the RS Plan in 2021 and 2020 represented less than 5 percent of the total contributions made to the RS Plan by all participating employers. The Cooperative made contributions to the RS Plan of $445,340 in 2021 and $509,654 in 2020. There have been no significant changes that affect the comparability of 2021 and 2020 contributions.

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

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

Substantially all full-time employees participate in a 401(k) plan administered by NRECA. Participants are required to contribute at least 2% of their income and the Cooperative matches an additional 2% (prior to March 1, 2019, the Cooperative matched 4%). The amount expensed for the 401(k) match totaled $47,704 and $60,384 for the years ended December 31, 2021 and 2020, respectively.

11. POST RETIREMENT BENEFITS OTHER THAN PENSIONS

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

Disclosures for the plan for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020
Accumulated benefit obligation, beginning of year	$ 8,613,750	$ 8,420,286
Net actuarial (gain)/loss	(428,531)	(97,195)
Service cost	295,583	240,860
Interest cost	250,644	308,593
Benefit payments	(422,218)	(258,794)
Accumulated benefit obligation, end of year	$ 8,309,228	$ 8,613,750
Funded status:		
Net plan assets	$ -	$ -
Net liability recognized	$ 8,309,228	$ 8,613,750
Deferred actuarial (gain)/loss, beginning of year	$ 1,293,585	$ 1,432,293
Net actuarial (gain)/loss	(428,531)	(97,195)
Amortization of actuarial gain/(loss)	(11,094)	(41,513)
Deferred actuarial (gain)/loss, end of year	$ 853,960	$ 1,293,585
Net periodic cost:		
Service cost	$ 295,583	$ 240,860
Interest cost	250,644	308,593
Amortization of actuarial (gain)/loss	11,094	41,513
Total	$ 557,321	$ 590,966

11. POST RETIREMENT BENEFITS OTHER THAN PENSIONS – (Continued)

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

Year	Annual Payments
2022	$ 402,343
2023	393,052
2024	404,080
2025	416,747
2026	431,333
2027-2031	1,993,139

Assumptions

The weighted-average rate assumptions used to determine net periodic benefit cost for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020
Discount rate	3.30%	3.15%
Health care cost trend for next year	6.40%	6.40%
Ultimate health care cost trend	5.00%	4.50%
Year that the rate reaches the ultimate trend rate	2028	2029

A one percentage-point increase in the health care trend rates would have increased the accumulated benefit obligation by $1,415,502 at December 31, 2021, and increased service and interest costs by $93,051 for the year then ended.

12. CONTINGENCIES, RISKS, AND UNCERTAINTIES

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

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

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

12. CONTINGENCIES, RISKS, AND UNCERTAINTIES – (Continued)

Substantially all non-management employees are members of the International Brotherhood of Electrical Workers (IBEW). The Cooperative has entered into an agreement with the union that covers, among other things, pay rates and benefits.

The Cooperative has recorded a receivable in the amount of $218,347,991 and $170,231,532 as of December 31, 2021 and 2020, respectively, for disaster assistance as a result of Hurricanes Laura and Delta. FEMA is in the process of reviewing these amounts and some of this amount could be disallowed and not reimbursed.

The Cooperative has recorded a unreimbursed, unbilled interest in the amount of $4,790,786 and $630,395 as of December 31, 2021 and 2020, respectively, for interest paid on loans in connection with the disaster assistance as a result of Hurricanes Laura and Delta. FEMA is in the process of reviewing these amounts and some of this amount could be disallowed and not reimbursed.

13. SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 28, 2022, which is the date the financial statements were available to be issued.

14. PUBLIC FUNDS PAID TO AGENCY HEAD

Michael J. Heinen, general manager, is considered the agency head of Jefferson Davis Electric Cooperative for purposes of required disclosures under R.S. 24:513(A)(3). Mr. Heinen received no payments of public funds during the year ended December 31, 2021.

JEFFERSON DAVIS ELECTRIC COOPERATIVE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures
United States Department of Homeland Security			
Passed through Louisiana Governor's Office of Homeland Security and Emergency Preparedness:			
Public Assistance (Presidentially-Declared Disasters)	97.036	N/A	$ 84,839,151

The accompanying notes are an integral part of the basic financial statements.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1—BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2—FEDERAL DE MINIMIS INDIRECT COST RATE

The Cooperative did not elect to use the 10% de minimis cost rate allowed under the Uniform Guidance.

COMPLIANCE SECTION

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INDEPENDENT AUDITORS' REPORT
REGARDING LOAN FUND EXPENDITURES

To the Board of Directors
Jefferson Davis Electric Cooperative, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Jefferson Davis Electric Cooperative, Inc., as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements and have issued my report thereon dated June 28, 2022.

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

Upon testing of loan covenants, it was determined that the Cooperative had passed its debt service coverage requirement for the three-year period ending December 31, 2021.

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

Langley, Williams & Co., LLC

Jennings, Louisiana
June 28, 2022

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

To the Board of Directors
Jefferson Davis Electric Cooperative, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of Jefferson Davis Electric Cooperative, Inc. (the Cooperative), as of and for the year ended December 31, 2021 , and the related notes to the financial statements and have issued our report thereon dated June 28, 2022.

Report on Internal Control Over Financial Reporting

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

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 over financial reporting 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or compliance. This report is an integral part of the 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.

Langley, Williams & Co., LLC

Jennings, Louisiana
June 28, 2022

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

To the Board of Directors
Jefferson Davis Electric Cooperative, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Jefferson Davis Electric Cooperative, Inc's (the Cooperative) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Cooperative's major federal programs for the year ended December 31, 2021. The Cooperative's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Cooperative complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

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

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

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Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Langley, Williams & Co., LLC

Langley, Williams & Co, LLC
Jennings, Louisiana
June 28, 2022

JEFFERSON DAVIS ELECTRIC COOPERATIVE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021

SECTION 1 – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified opinion

Internal control over financial reporting:		
Material weaknesses identified?	____Yes	__X__No
Significant deficiency identified not considered to be material weaknesses?	____Yes	__X__No
Noncompliance material to financial statements noted?	____Yes	__X__No

Federal Awards

Internal control over major programs:		
Material weaknesses identified?	____Yes	__X__No
Significant deficiency identified not considered to be material weaknesses?	____Yes	__X__None reported

Type of auditors' report issued on compliance for major programs: Unmodified opinion

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, Section.510 (a)	____Yes	__X__No

Identification of major program:

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

Dollar threshold used to distinguish between Type A and Type B programs: **$750,000**

Auditee qualified as low-risk auditee?	__X__Yes	______No

JEFFERSON DAVIS ELECTRIC COOPERATIVE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2021

SECTION 2 – CURRENT YEAR FINDINGS AND MANGEMENT CORRECTIVE ACTION PLAN

Internal Control Over Financial Reporting:

There were no findings with regards to internal controls.

Compliance:

There were no findings with regards to compliance.

SECTION 3 – PRIOR YEAR FINDINGS AND MANGEMENT CORRECTIVE ACTION PLAN

Internal Control Over Financial Reporting:

There were no findings with regards to internal controls.

Compliance:

There were no findings with regards to compliance.

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
Jefferson Davis Electric Cooperative, Inc.
Jennings, Louisiana

To the Governing Board of the Jefferson Davis Electric Cooperative, Inc. and the Louisiana Legislative Auditor:

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 fiscal period January 1, 2021 through December 31, 2021. The Jefferson Davis Electric Cooperative, Inc.'s management is responsible for those C/C areas identified in the SAUPs.

The Jefferson Davis Electric Cooperative, Inc. 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 fiscal period January 1, 2021 through December 31, 2021. 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 as follows:

Written Policies and Procedures

1. 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:

   a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

   b) ***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.

   c) ***Disbursements***, including processing, reviewing, and approving.

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d) ***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).

e) ***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(s) rate of pay or approval and maintenance of pay rate schedules.

f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

g) ***Credit Cards (and debit cards, fuel cards, P-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).

h) ***Travel and Expense Reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

i) ***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.

j) ***Debt Service***, including (1) debt issuance approval, (2) continuing disclosure/Electronic Municipal Market Access ("EMMA") reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

k) ***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.

l) ***Sexual Harassment***, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Exception: The entity does not have written policies and procedures.

Management's response: Management intends to prepare written policies and procedures that will address those as required by the LLA.

Board or Finance Committee

2. 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:

a) 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.

There were no exceptions noted as a result of applying this procedure.

b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget- to-actual, at a minimum, on all special revenue fund. *Alternately, for those entities reporting on the nonprofit 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.*

The entity does not report on the governmental accounting model; therefore, making this procedure not applicable.

c) 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.

The entity is not a governmental entity; therefore, making this procedure not applicable.

Bank Reconciliations

3. 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:

We obtained a list of bank accounts from management and management's representation that the list was complete.

a) 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);

There were no exceptions noted as a result of applying this procedure.

b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

There were no exceptions noted as a result of applying this procedure.

c) 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.

Exception: There was no evidence of research for reconciling items outstanding over 12 months.

Management's response: Management will research and maintain documentation for reconciling items over 12 months.

Collections (excluding electronic funds transfers)

4. 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).

5. 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 (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, 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:

   a) Employees responsible for cash collections do not share cash drawers/registers.

   b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.

   c) Each employee responsible for collecting cash is not 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.

   d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.

6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (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). *Alternately, 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:

   a) Observe that receipts are sequentially pre-numbered.

   b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

   c) Trace the deposit slip total to the actual deposit per the bank statement.

   d) Observe 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).

   e) Trace the actual deposit per the bank statement to the general ledger.

   The only public funds that the entity collects are FEMA revenues, which are deposited via EFT. Per the LLA, EFT's are excluded from SAUP testing; therefore, making these procedures not applicable.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. 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).

9. For each location selected under #8 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, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

   a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

   b) At least two employees are involved in processing and approving payments to vendors.

   c) 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.

   d) 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.

10. For each location selected under #8 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:

    a) Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.

    b) Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

    Per the LLA, these procedures are not applicable due to testing in single audit.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-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.

12. 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:

    a) Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original 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. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

    b) Observe that finance charges and late fees were not assessed on the selected statements.

13. Using the monthly statements or combined statements selected under #12 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 (i.e., each card should have 10 transactions subject to testing). For each transaction, observe 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 note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

    Per the LLA, these procedures are not applicable due to testing in single audit.

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

14. 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, 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:

    a) If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

    b) If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

    c) Observe 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 policy (procedure #1h).

    d) Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

    The only public funds that the entity collects is FEMA revenues and there were no travel or travel-related expense reimbursements in relation to the FEMA revenues; therefore, making these procedures not applicable.

Contracts

15. 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. *Alternately, 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:

    a) 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.

    b) Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).

c) If the contract was amended (e.g., change order), observe 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, was approval documented).

d) 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 the invoice and related payment agreed to the terms and conditions of the contract.

Per the LLA, these procedures are not applicable due to testing in single audit.

Payroll and Personnel

16. 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.

17. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

    a) Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)

    b) Observe whether supervisors approved the attendance and leave of the selected employees or officials.

    c) Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

    d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

18. 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, 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 or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

19. 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, etc.) have been paid, and any associated forms have been filed, by required deadlines.

    These procedures are not applicable due to no federal money being spent on payroll.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:

    a. Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

Exception: The entity does not require employees to complete ethics trainings.

Management's response: Management will include this annual requirement in its policies and procedures.

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

Exception: The entity does not require employees to complete ethics trainings.

Management's response: Management will include this annual requirement in its policies and procedures.

Debt Service

21. 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 State Bond Commission approval was obtained for each debt instrument issued.

    Obtained a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. None of the entity's debt instruments were subject to State Bond Commission approval; therefore, making this procedure not applicable.

22. 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).

    There were no exceptions noted as a result of applying this procedure.

Fraud Notice

23. 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.

    Management has asserted that the entity did not have any misappropriations of public funds or assets.

24. Observe 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.

    Exception: The notice required by R.S. 24:523.1 was not posted on the entity's premises or its website.

    Management's response: Management is working on updating their website to include this notice. Also, they plan to post the notice on their premises.

Information Technology Disaster Recovery/Business Continuity

25. 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 no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

       We performed the procedure and discussed the results with management. There were no exceptions noted as a result of applying this procedure.

    b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, 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. There were no exceptions noted as a result of applying this procedure.

    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. There were no exceptions noted as a result of applying this procedure.

Sexual Harassment

26. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

    Exception: The entity does not require employees to complete sexual harassment trainings.

    Management's response: Management will include this annual requirement in its policies and procedures.

27. Observe 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).

    Exception: The entity did not have its sexual harassment policy and complaint procedure on its website or posted on the entity's premises.

    Management's response: Management is working on updating their website to include this policy and procedure. Also, they plan to post the policy and procedure on their premises.

28. 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 it includes the applicable requirements of R.S. 42:344:

a) Number and percentage of public servants in the agency who have completed the training requirements;

b) Number of sexual harassment complaints received by the agency;

c) Number of complaints which resulted in a finding that sexual harassment occurred;

d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and

e) Amount of time it took to resolve each complaint.

Exception: The entity did not prepare an annual sexual harassment report.

Management's response: Management will add this procedure to its policies and procedures.

We were engaged by the Jefferson Davis Electric Cooperative, Inc's Office 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 the Jefferson Davis Electric Cooperative, Inc's Office 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.

Langley, Williams & Co., LLC

Langley, Williams & Co., LLC

Lake Charles, LA
June 30, 2022