DEMC0
DIXIE ELECTRIC MEMBERSHIP CORPORATION

Good
CORPORATE CITIZEN

Bright
FUTURE AHEAD

SAFE, RELIABLE & AFFORDABLE ELECTRICITY

2016

EQUIPPED AND EMPowered
MISSION

DEMCO EXISTS TO
SERVE OUR MEMBERS
THROUGH PROFESSIONALLY
Trained Employees
PROVIDING SAFE,
RELIABLE & AFFORDABLE
ELECTRICITY
AS WELL AS OTHER
High-Quality
PRODUCTS & SERVICES

DIXIE ELECTRIC MEMBERSHIP CORPORATION

AS A GOOD Corporate Citizen, DEMCO IS COMMITTED TO STIMULATING THE ECONOMIC GROWTH & PROSPERITY OF OUR AREA THROUGH Ethical Conduct & SOUND BUSINESS Principles

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The President’s Report is offered to the membership each year as a review of DEMCO’s operations and highlights the efforts taken by your cooperative to keep reliable service and stay financially secure.

In 2016 DEMCO saw many challenges and met them as a powerful force and as a cooperative family. The floods that hit our service territory in March and August were damaging to our infrastructure and caused widespread outages, but they did not break our spirit of service to our members. As many members continue to pick up the pieces of their damaged homes and properties, we too continue to serve them as best we can.

Your locally owned electric cooperative continues to bring reliable power to over 108,000 meters on a system that spans seven parishes. This represents a positive growth in membership and service. It is this quality product that will enable your cooperative to grow as it reaches cities, towns and rural communities with the same reliability.

Through this growth and these recent challenges, we will not waver and will continue to bring safe, reliable and affordable power to our members. We look forward to serving future members as our growth continues in our economic development efforts throughout our service territory. As we continue to seek opportunities to serve our members, we are humbled by the opportunity to serve all of our members. As DEMCO continues to grow, we will keep the utmost concern for the members we serve.

Moreover, we will continue to utilize a power delivery system that will save our members’ money. When we can bring additional accounts and members online, it allows us to keep costs down for all members – new and those who have been served by DEMCO for decades. Each member is important to us.

A review of DEMCO’s 2016 system statistics shows a year that dips in sales growth but not in the amount of members served or infrastructure. This strategic growth allows us to serve where the need is the greatest. DEMCO’s kilowatt-hour (kWh) sales went from 2,143,453,882 in 2015 to 2,130,429,844 in 2016.

The number of members billed increased from 106,226 in 2015 to 108,278 in 2016. Total miles of line in operation showed an average of 8,406 miles by the end of 2015, and 8,467 by the end of 2016.

We are honored as your board of directors to represent the membership of DEMCO through 2016. We are also proud of the reactions of so many employees, family and friends who stepped up and made a difference during the great challenges of 2016. We hope to do our small part while we continue to deliver to you the quality service you expect through the delivery of safe, reliable and affordable power that has made this electric cooperative as strong as it is today.

In closing, I would like to congratulate Steve Irving, Dennis Lott and Faye Morris for their re-election to another three-year term to serve the DEMCO members of their respective districts. Moreover, I would like to personally thank the members I have the pleasure of representing in District 10 for choosing to re-elect me to serve them for another term. Also, it is my pleasure to serve all DEMCO members as the president of the board. In all that matters, we appreciate the support shown to us from the members of this cooperative.

In service,
Richard Sitman, President
DEMCO Board of Directors
In 2016, Louisiana faced a devastating flood that rivalled all natural disasters to hit the capital region.

When the torrential rain finally stopped after three long days in August and 31 inches of heavy precipitation had fallen, DEMCO personnel found nine substations substantially damaged, along with sensitive monitoring and switching equipment and miles of underground distribution lines.

Complicating matters was the fact that the roads and streets leading to those substations were impassable due to the flooding. At the peak, roughly 28 percent of more than 108,000 meters lost power.

Despite the challenges, DEMCO was able to restore service to all structures and meters capable of receiving power within one week.

This emergency restoration project was accomplished without a lost time accident and despite the fact that 55 employees experienced flooding of their own homes.

This created an enormous challenge, working to get the lights back on as quickly and as safely as possible while at the same time considering the employees who experienced personal loss of property.

Though DEMCO’s headquarters office on Wax Road in Central was spared, the district office in Denham Springs received five feet of flood water. The office is located on Range Avenue near I-12 where the entire commercial corridor was under water. Moreover the district office in Ascension Parish also found itself inundated with water.

This event was different from all the other summer storms, ice storms and hurricanes that DEMCO has experienced over the past several decades. Each event is unique, but the way this flood destroyed so much and impacted every part of our society, was unprecedented and almost unbelievable.

The recovery for both co-op employees and the community at-large has been long and arduous, but DEMCO has worked hard and smart to find its footing and stands ready for the next challenge.
Not only is our commitment to community found in our mission statement, it is also found in our actions. The DEMCO family of employees shows our heart by serving the community in a variety of ways. However, most notably during the flood of 2016 and the subsequent restoration of communities that followed, DEMCO and our employees were ever present. Thousands of members were left with a shell of their belongings, and many had nowhere to turn.

As a family of employees, DEMCO came to the aid of our members who were affected by the flood to assist them in any way we could. The cooperative’s dedication to the members we serve was evident during this difficult time. Even after the terrible flood and so many challenges, DEMCO did not waver in its consistent support of communities we serve.

As a primary financial sponsor, DEMCO employees donated, from their personal funds, over $72,000.00 to the annual Dream Day and Capital Area United Way campaigns. DEMCO shows the utmost respect for individuals who choose to better themselves through higher education. In 2016 DEMCO awarded 12 one-year college scholarships to the children of DEMCO members. Furthermore, DEMCO employees served on the planning committee and cooked for the 2016 Volunteers in Public Schools Annual Picnic as well as the 2016 Young Heroes Award Luncheon.

Through it all DEMCO’s commitment to community was stronger than any challenges we faced.
As a small business incubator, the Dixie Business Center (located in Denham Springs, Louisiana) offers valuable resources to small businesses in the area. As part of its offerings the incubator offers office space for long or short-term lease.
DEMCO’S BOARD OF DIRECTORS IS COMPOSED OF 13 INDIVIDUALS WHO ARE ELECTED BY THE GENERAL MEMBERSHIP TO REPRESENT THE MEMBERSHIP IN ALL MATTERS PERTAINING TO THEIR ELECTRIC COOPERATIVE.

Each director is elected for a term of three years. Elections are alternating allowing four directors to be elected each year with five directors elected every third year.
Mary Acosta
Betty Adams
Justin Andrews
Jake Arledge
Hijah Armstrong
MarcAuscoin
Shelley Autumn
Kenneth Bailey
Jason Ballard
Penny Bates
Jeff Bellington
Troy Bergeron
Jamie Berry
Trent Bigner
Jeremy Blouin
Kenneth Bourgeois Jr.
Brent Bradley
Daniel Brooks
Chase Broussard
Lori Broussard
Julie Burns
Luke Butler
Greg Carruth
Nick Carruth
Andy Castello
Beau Caston Jr.
Todd Chauvin
Michael Chiasson Sr.
Veronica Calais
Myra Clark
Jamie Coats
Kevin Commander
Josh Conley
Patricia Courtenay
Eric Crab
Johnathan Crowder
Rickey Cummings
Fred Dabney Sr.
Doug Dalgo II
Danny Delatte
Robert DeLee Jr.
Scott DeLee
Jenny Desseille
Tara Divis
Paula Dixon
D.J. Doggett
Patrick Dohohue
Michael Doughty
Galen Dunbar
Tiffany Dunn
Wade Duplessie
Brisot Dupont
Norman Engler
John Ervin II
Vincent Estes
Cade Felts
David Fournet
Frank Fowler
Penny Fruge
Cecil Garaudy
Cody Glascok
Travis Glascok
Andy Graham
Vernon Graham
John Green
Dusty Guarino
Michelle Guidry
Stephanie Guidry
Lee Guillot
Aaron Gutreau
Darren Harrell
Philip Harris
Charles Heine
Mystery Hester
Orlando Hill
Ray Hill Jr.
Beverly Hodges
Cole Holden
Jimmy Holden
Avisia Holland
Thomis Holland
Dante Holmes
Austin Hudspeth
Waren Jefferson
Jeremy Jett
David Jewell
Andres Johnson
Chas Johnson
Dale Johnson
Esha Johnson
Tom Johnson
Tyrar Keeler
Thomas Klein Jr.
Michael Knight
Diana Knowlach
Chad LaCost IV
Chad Landry
Devin Landry
Jan Landry
Jake Lane
David Latona
Jeff Lea
Kaleb Lee
Louis Lee
Roman Lee
Shawn Little
Lorenza Lively
Ken Lofton
Jared Louque
Jeff Lyons
Patrick Mansfield
Jeff Marino
Melvin Martin
Charity McClure
Pape McClure
Theodore McCray Jr.
Nicole McMorris
Hailey Meadows
Brian Mermis
Pernell Miles
Josh Miller
Scott Miller
Justin Milton
Raymond Mizell
Yuan Mizell
Tiffany Moore
Ben Morein
Christopher Morrisette
Quanika Muse
Chad Norred
Eric Ouber
Jacob Overhultz
Rusell Overhultz
Phillip Pace
Keri Pagano
Jacob Parker
Melvin Parker
Mike Parker Sr.
Lori Peek
Kelli Pensac
Mark Phillips Jr.
Gina Pincering
Daniel Pommer
Donnie Prest
Joshua Prestridge
Jackie Purvis Jr.
Kregal Raymond
Matthew Reed
Terrie Reed
Ainta Reveire
Nakita Richard
Sandra Richard
Sam Rosso
Rachel Route
Linda Sanders
Nick Saucier
Asa Scott
Arthur Selders Jr.
Corey Sharpe
Levy Sibley
Brandon Simon
Kellie Smith
Jared Solieau
Chuck Spellman
Steven Spring
Darren St. Pierre
Jeremy Starns
Wayne Stevenson
Larry Stewart Jr.
Raymond Stewart Jr.
Blake Sullivan
Erica Sullivan
Patrick Tanner
Esther Tapa
Agro Templet
Marci Templet
Craeton Templeton
Aaron Terrell
Mason Thacker
Wendy Thibeaux
Richie Thomas
Buddy Thompson III
Russell Todd
Maderis Trout
David Tucker
Blake Tyson
Robby Vanderripsen
Jimmie Varnado
Rhonanda Vessel
John Varic
Debra Walker
Jeremy Wascom
Booker Watson
Doug Watson
Carl Watts
Hannah Watts
Carl Westbrook
Darrel White
Robby White
Royland Wicker
Caleb Wilkinson
Derek Willis
John Woodburn
Bodhi Wright
Phil Zito
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DEMCO WAS PRESENTED A CERTIFICATE OF APPRECIATION FROM THE WREATHS ACROSS AMERICA PROGRAM.

2016 marked the fifth year the cooperative has supported this effort to honor military veterans by laying a wreath at their gravesites.

IT WAS THE PLEASURE OF THE DEMCO COOKING TEAM TO BE INVITED TO SERVE ITS AWARD-WINNING JAMBALAYA TO STUDENTS AND GUESTS OF THE NORTH SHORE TECHNICAL COLLEGE, FLORIDA PARISHES CAMPUS IN GREENSBURG.

The team joined the college in celebrating Community College Day.

DEMCO EMPLOYEES FROM ALL DEPARTMENTS WERE ON HAND AT THE CAPITAL REGION BUILDERS ASSOCIATION’S 2016 BUILDING AND REMODELING SHOW.

Hundreds of DEMCO members and other participants visited the booth to learn more about the cooperative and its offerings.

ON APRIL 18, DEMCO JOINED HUNDREDS OF ELECTRIC COOPERATIVES AROUND THE COUNTRY IN SHOWING APPRECIATION TO ALL LINEMEN FOR NATIONAL LINEMAN APPRECIATION DAY.
May

Livingston Parish Director Danny Berthelot, East Feliciana Parish Director Glenn Delee, East Baton Rouge Parish Director Randy Lorio, West Feliciana Parish Director Freddy Metz, and Tangipahoa Parish Director Eugene Taylor all returned to the DEMCO Board of Directors as each was re-elected for a three-year term.

June

Local high school students Jessica Litolff, Sawyer Welborn, John Wiese, and Kennedy Wilcher each won an all-expense paid trip to Washington, D.C.

The four were winners in the 2016 DEMCO Rural Electric Youth Tour essay contest and joined other Louisiana winners on this trip of a lifetime.

August

Historic flooding hit South Louisiana with the brunt of the flood waters taking aim at the heart of the DEMCO service territory.

Damages were extensive as crews safely returned over 30,000 members back to power within seven days.

This perfect record has been intact since September of 2014.

September

The entire workforce at DEMCO participated in training throughout the year. In September they became certified in CPR and First Aid.

This is just another way we can serve the members and the community.

October

DEMCO supported area youth runners in the Baton Rouge Area Sports Foundation’s 2016 Battlefield Run Festival.

Hundreds of runners and fans were out in full force to support the physical activity of youth in South Louisiana.

November

DEMCO presented to thousands of area elementary students a safety program they will not soon forget.

“Making Accidents Disappear” magic show highlighted how students can stay safe around electricity.

December

DEMCO welcomed former Baton Rouge City Police Chief Jeff Leduff and his Open Eyes Training as employees learned how to be aware of dangers in the workplace.

This effort by the cooperative’s safety department will help protect employees and members alike.
## Financials

### Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric Plant in service</td>
<td>$623,089,844</td>
<td>$602,226,337</td>
</tr>
<tr>
<td>Construction work in progress</td>
<td>25,892,046</td>
<td>17,371,926</td>
</tr>
<tr>
<td>Other fixed assets</td>
<td>3,067,780</td>
<td>3,716,876</td>
</tr>
<tr>
<td>Less: accumulated depreciation</td>
<td>(153,209,390)</td>
<td>(144,117,837)</td>
</tr>
<tr>
<td>Total utility plant, net</td>
<td>$498,840,280</td>
<td>$479,197,302</td>
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</tbody>
</table>

### Investments and Other Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments in associated organizations</td>
<td>10,361,588</td>
<td>9,732,292</td>
</tr>
<tr>
<td>Notes receivable, long-term portion</td>
<td>64,188</td>
<td>76,037</td>
</tr>
<tr>
<td>Total investments and other assets</td>
<td>$10,425,776</td>
<td>$9,808,329</td>
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</table>

### Current Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>6,003,864</td>
<td>1,423,759</td>
</tr>
<tr>
<td>Current portion of notes receivable</td>
<td>26,922</td>
<td>40,737</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumers (net of allowance for uncollectible</td>
<td>12,107,975</td>
<td>9,474,738</td>
</tr>
<tr>
<td>accounts of $750,000 in 2016 and $324,779 in</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unbilled revenue</td>
<td>10,544,805</td>
<td>11,126,594</td>
</tr>
<tr>
<td>Other receivables (net of allowance of $1,209,546</td>
<td>6,327,700</td>
<td>2,581,809</td>
</tr>
<tr>
<td>and 2015)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred fuel adjustment</td>
<td>853,286</td>
<td>2,165,880</td>
</tr>
<tr>
<td>Materials and supplies</td>
<td>4,927,177</td>
<td>6,235,297</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>967,616</td>
<td>895,301</td>
</tr>
<tr>
<td>Total current assets</td>
<td>$41,739,143</td>
<td>$33,942,115</td>
</tr>
</tbody>
</table>

### Other Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred charges</td>
<td>77,822,591</td>
<td>71,170,841</td>
</tr>
<tr>
<td>Intangible, net</td>
<td>800</td>
<td>800</td>
</tr>
<tr>
<td>Certificate of deposit-pledged</td>
<td>600,000</td>
<td>600,000</td>
</tr>
<tr>
<td>Total other assets</td>
<td>$78,423,391</td>
<td>$71,771,641</td>
</tr>
<tr>
<td>Total assets</td>
<td>$629,428,792</td>
<td>$594,719,387</td>
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</tbody>
</table>

### Equities and Liabilities

#### Liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current maturities of notes payable</td>
<td>$12,971,841</td>
<td>$11,484,927</td>
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<tr>
<td>Lines of credit</td>
<td>-</td>
<td>$13,495,524</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>29,802,753</td>
<td>13,930,121</td>
</tr>
<tr>
<td>Consumer deposits</td>
<td>7,655,112</td>
<td>8,154,847</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>2,285,559</td>
<td>682,344</td>
</tr>
<tr>
<td>Other accrued expenses and deferred credits</td>
<td>2,173,073</td>
<td>2,100,143</td>
</tr>
<tr>
<td>Customer refund</td>
<td>624,336</td>
<td>624,336</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>$55,512,674</td>
<td>$15,472,242</td>
</tr>
</tbody>
</table>

#### Equity

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Memberships</td>
<td>$438,400</td>
<td>$440,555</td>
</tr>
<tr>
<td>Patronage</td>
<td>109,719,216</td>
<td>105,959,839</td>
</tr>
<tr>
<td>Total equity</td>
<td>$110,157,616</td>
<td>$106,400,394</td>
</tr>
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#### Long-term Debt

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notes payable, less current maturities</td>
<td>$388,989,246</td>
<td>$372,072,334</td>
</tr>
<tr>
<td>Deferred interest-RUS notes</td>
<td>765,174</td>
<td>1,119,148</td>
</tr>
<tr>
<td>Total long-term debt</td>
<td>$399,754,420</td>
<td>$373,191,482</td>
</tr>
</tbody>
</table>

#### Deferred Credits and Other Liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued post retirement benefits</td>
<td>68,612,700</td>
<td>58,732,700</td>
</tr>
<tr>
<td>Accrued vacation and sick pay</td>
<td>5,379,382</td>
<td>5,922,569</td>
</tr>
<tr>
<td>Total deferred credits &amp; other liabilities</td>
<td>$74,992,082</td>
<td>$64,655,269</td>
</tr>
<tr>
<td>Total equities and liabilities</td>
<td>$629,428,792</td>
<td>$594,719,387</td>
</tr>
</tbody>
</table>
### DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS AND PATRONAGE CAPITAL YEAR ENDED DECEMBER 2016

#### OPERATING REVENUE

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$208,012,458</td>
<td>$206,898,748</td>
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#### OPERATING EXPENSES

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of power</td>
<td>128,700,467</td>
<td>124,587,290</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>15,842</td>
<td>3,682</td>
</tr>
<tr>
<td>Distribution-operations</td>
<td>7,978,560</td>
<td>8,065,263</td>
</tr>
<tr>
<td>Distribution-maintenance</td>
<td>13,802,072</td>
<td>16,810,080</td>
</tr>
<tr>
<td>Consumer accounts</td>
<td>7,139,629</td>
<td>6,529,697</td>
</tr>
<tr>
<td>Administrative and general</td>
<td>8,000,603</td>
<td>7,570,239</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>18,891,310</td>
<td>18,415,150</td>
</tr>
<tr>
<td>Taxes</td>
<td>5,653,555</td>
<td>5,618,282</td>
</tr>
<tr>
<td>Other</td>
<td>2,130,337</td>
<td>2,144,159</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>192,312,375</td>
<td>189,763,822</td>
</tr>
<tr>
<td>Operating margins before fixed charges</td>
<td>15,700,083</td>
<td>17,134,926</td>
</tr>
</tbody>
</table>

#### FIXED CHARGES

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on long-term debt</td>
<td>12,735,361</td>
<td>12,496,163</td>
</tr>
<tr>
<td>Other interest</td>
<td>670,752</td>
<td>1,045,305</td>
</tr>
<tr>
<td>Total fixed charges</td>
<td>13,406,113</td>
<td>13,541,468</td>
</tr>
<tr>
<td>Operating margins after fixed charges</td>
<td>2,293,970</td>
<td>3,595,458</td>
</tr>
</tbody>
</table>

#### CAPITAL CREDITS

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,178,555</td>
<td>944,222</td>
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</table>

#### NON-OPERATING MARGINS

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>147,437</td>
<td>160,236</td>
</tr>
<tr>
<td>Other income (expense)</td>
<td>139,415</td>
<td>61,279</td>
</tr>
<tr>
<td>Total non-operating margins</td>
<td>286,852</td>
<td>98,957</td>
</tr>
<tr>
<td>Net margins (deficit)</td>
<td>3,759,377</td>
<td>4,638,637</td>
</tr>
</tbody>
</table>

#### PATRONAGE CAPITAL, BEGINNING OF YEAR

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>105,959,839</td>
<td>101,321,202</td>
</tr>
</tbody>
</table>

#### PATRONAGE CAPITAL, END OF YEAR

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$109,719,216</td>
<td>$105,959,839</td>
</tr>
</tbody>
</table>