GREYSTONE
POWER CORPORATION

MAKING THINGS BETTER ...
TOGETHER

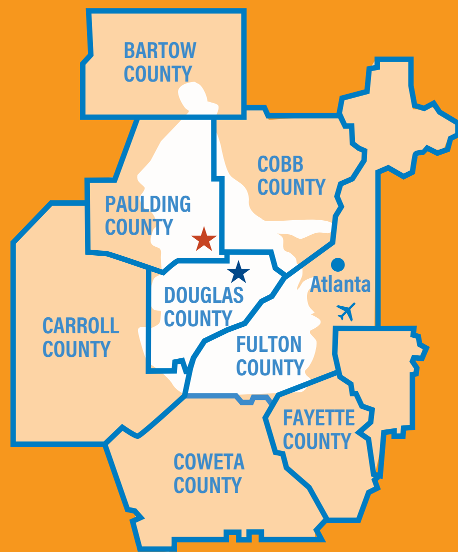
2019
ANNUAL REPORT

Our **Mission**

Making Life Better in
the communities we serve.

GREYSTONE
POWER CORPORATION

Service **Area**



★ **Douglasville Office and Corporate Headquarters**

★ **Future headquarters facility, scheduled to open in early 2021**

Corporate **Profile**

GreyStone Power is a member-owned, not-for-profit electric cooperative, serving portions of eight west-metro Atlanta counties. We provide electricity to more than 121,000 homes, businesses, schools and industries through more than 135,000 meters.

Who is a **Member?**

If you have an account with us in your name, you're a member – and an owner – of this electric cooperative. That's because GreyStone Power is owned by the people it serves. Those same people are at the center of everything we do.

At a **Glance**

Statistics at the end of each year

	NUMBER OF METERS	OPERATING REVENUE	MILES OF LINE	KILOWATT-HOURS SOLD
2019	129,262	$287,446,522	7,110	3,050,700,855
2009	114,669	$246,041,288	6,508	2,607,428,661
1999	72,065	$ 99,323,517	4,249	1,355,911,195
1989	49,871	$ 49,085,891	3,224	724,098,168
1979	32,949	$ 17,382,748	2,433	421,324,408

Executive **Message**

If you're like most people, this year you've spent more time at home than ever before. You switched on the lights, showered, cooked, turned on your computers and watched more TV than you ever thought possible.

Through it all, you relied on dependable electricity provided at a reasonable cost. That's our job. GreyStone Power exists to serve our members, and this means providing support during a time of uncertainty. As your neighbors and your electric cooperative, owned by the people we serve, we must work together – now more than ever before – to make life better here in the communities in which we live and work.

This not-for-profit utility continues to have some of the lowest rates in the state. In 2019, our residential rates were 20%* lower than Georgia Power's in the summer and nearly 12% lower in winter*. In addition, we issued $24 million in credits on power bills and returned a record $12 million in capital credits during 2019.

Prudent planning, successful wholesale power purchases and careful expense management made these financial benefits possible. The same practices supported a strategic endeavor to build a new headquarters facility in Paulding County, just south of the intersection of Pine Valley Road and Highway 92. The site is near the geographic center of our eight-county service area, allowing us to respond quickly to members' needs.

The old location in Douglasville will be sold, and the proceeds from that office and our Dallas district office, combined with savings from many years, will mean that GreyStone will incur no new debt for this much-needed project. We expect an early 2021 move into our new headquarters.

We celebrated a historic milestone when GreyStone Power members rated us #1 in overall customer satisfaction among cooperatives in J.D. Power's 2019 Electric Utility Residential Customer Satisfaction Study. Six key factors, including communication between GreyStone Power and the people we serve, are essential to that satisfaction ranking.

In 2019, the National Rural Electric Cooperative Association and the Council of Rural Electric Communicators awarded us the Edgar F. Chesnutt award, the highest recognition for cooperative communication. This marked the second time GreyStone Power had received the Chesnutt award. With members in mind, we work to retain existing jobs and attract new ones, support local communities and the organizations who bridge the gap for so many, and keep power bills as low as possible.

We've often heard that we're in this together. At GreyStone Power, we say we're making things better ... together. That's exactly how we're going to not only survive, but thrive, together.

** According to the 2019 rate surveys by the Georgia Public Service Commission. Based on the residential use of 1,000 kilowatt hours (kWh) per month.*

GreyStone Power personnel teach local students about how to be careful around electricity using the interactive Safety City tool.

GIVING BACK

GreyStone Power cares deeply about the well-being of those we serve. You'll find us always working to improve members' quality of life and making things better in the communities we call home.

That's why GreyStone Power workers volunteered their time to worthy projects last year through the GreyStone Gives program, which allows each employee 8 hours yearly to volunteer with an approved 501(c)(3) organization. Employees willingly stocked shelves and sorted food and clothing items for Warehouse of Hope, a Paulding County nonprofit that serves up to 500 families weekly. They also pitched in to help at The Pantry, a Douglasville community food ministry. At year-end, employees sent holiday well wishes and over 1,000 cards to our nation's military through Operation Christmas Cards.

Its heartfelt support of military veterans earned GreyStone Power the 2019 EMC of the Year/Community Service and Volunteerism Award from our statewide organization, Georgia Electric Membership Corp. In addition to hiring veterans, the

cooperative honored its own veteran employees, retirees and board members at an annual Military Service Recognition event and supported soldiers-in-training through the GreyStone Power Corps of Cadets Scholarship, established for the University of North Georgia.

Standing strong in their fight against cancer again last year, GreyStone Power employees raised $42,639 for Relay For Life and Gabe's Chemo Duck. Hosting blood drives for the American Red Cross was another way the cooperative gave back.

Investing in local students strengthens the future of our communities. As a Partner in Education (PIE) member, GreyStone Power hosted and sponsored last year's kickoff breakfast and other events throughout 2019. Educating young learners about the dangers of electricity and holding career awareness events for high schoolers also had a far-reaching impact.

GreyStone Power expanded five students' understanding of the cooperative business model and U.S. government last summer with an opportunity of a lifetime. Andrew Hawkinson, Cassie Rich, Madison Clevenger, Rian Philip and Sydney Branton were GreyStone Power's delegates to the Washington Youth Tour. They gained leadership skills, met with elected representatives and experienced U.S. history in the nation's capital with hundreds of other youths from across the country.

The cooperative also helped five students reach higher education goals through college scholarships, awarding $3,000 each to Grayson Jones, Lysa Ortiz and Wanisha Saintil, of Douglas County, and Chandler Knight and Sarah Secrist, of Paulding County. West Georgia Technical College student Macy Henry and Chattahoochee Technical College student Camille Blevins each received a $2,500 scholarship.

Students at the Paulding College & Career Academy are benefiting from energy career training at a new Energy Pathway Lab. The lab was built with a special GreyStone Power donation of $50,000 in honor of Jerry Tucker, a 50-year employee who retired in 2018.

Making a positive difference through Operation Round Up®

25,394
GreyStone Power members rounded up their electric bills to the next dollar in 2019

$146,578
contributed last year

114-plus
local nonprofits helped

$5.8 million
raised by members since program's 1998 inception

POWERING
SAVINGS

Making things better in our communities includes attracting new businesses — and jobs — to our area.

GreyStone Power's economic development team secured member choice wins that included Crown Linen, Stitch Fix, Publix and other businesses in the service area. These accounts added more than 6.6 megawatts to the cooperative's annual sales, creating about 300 new jobs for workers in our area; Stitch Fix plans to eventually employ 900 workers at its 925,800-square-foot facility in Douglas County.

Strong relationships within the business community paid off when GreyStone Power's team won the Publix account with only a week to respond to a request for proposal.

GreyStone also extended its contract with Morgan Stanley to provide for the cooperative's wholesale power needs through 2025 and to lock in low energy prices that currently exist. The cooperative's management of that contract, in conjunction with the decision in 2012 to purchase a large portion of the output of

GreyStone Power partners with local business leaders to retain jobs and attract new ones.

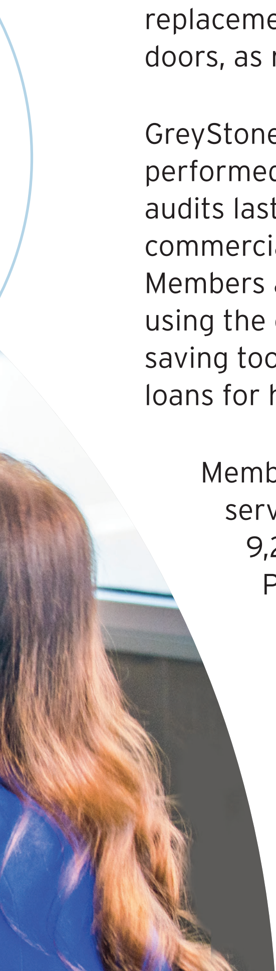
a low-cost, highly efficient gas-fired power plant, is one of the main reasons that your power rates are among the lowest in the state.

Each business account increases sales, helping keep rates as low as possible for all members.

GreyStone Power worked to help residential members keep money in their pockets, too. Nearly 600 members took advantage of the cooperative's $100 smart thermostat rebate. Since the program began, GreyStone Power has invested a total of $182,700 in rebates to help members upgrade their thermostats for reduced heating and cooling costs.

The cooperative's Second Nature filter program (formerly FilterEasy®) also assisted members with HVAC maintenance and efficiency. More than 300 members now receive discounted prices on replacement air filters delivered to their doors, as needed.

GreyStone Power's energy experts performed more than 350 on-site energy audits last year, helping residential and commercial members cut expenses. Members also reduced their monthly bills using the cooperative's online energy-saving tools, rebates and energy efficiency loans for home improvements.



Members continued to use on-the-go services last year. There were nearly 9,250 downloads of GreyStone Power's payment app. As another convenient way to pay, members can now access 13 payment kiosks, with four new locations added last fall and four 24-hour locations in Douglas, Paulding, Cobb and Carroll counties. Members can also pay their bills or manage their accounts anytime at the cooperative's website.

The Outage Helper app remained a popular tool, allowing members to quickly report outages from their mobile devices, view the outage map and receive restoration updates. There were more than 1,800 new downloads in 2019.

Last year, the cooperative developed plans to launch the GreyStone Marketplace. This online store is now helping members save money on purchases like smart thermostats, lightbulbs, smart home products and water-saving devices.

Helping members save with a Co-op Connections® Card

258 local participating businesses

$22,403 saved on prescriptions in 2019

$2,368,279 saved by members since the program began

The cooperative's dedicated crews continually build and maintain the power delivery system that keeps electricity flowing 24/7.

LOOKING AHEAD

GreyStone Power's Board of Directors and more than 260 employees share the goal of providing excellent service and reliable, affordable electricity to members and communities around-the-clock.

While the cooperative supplied members with uninterrupted power 99.98% of the time last year, GreyStone Power's reliability team continued to search for ways to improve. Last year, the cooperative installed system switches that allow personnel to isolate outages remotely and restore service faster. Trimming vegetation from around 700-plus miles of power lines helped reduce tree-related outages.

Other improvements included the completion of a major portion of a backup power project for the Seven Hills housing development in Paulding County and construction of the new Wolf Creek substation, which will begin serving members in Fulton County later this year.

Staying in tune with members' increased support of renewable energy, GreyStone Power continued to add solar energy to its

Rising to the TOP in 2019

power supply mix. The solar farm located at the cooperative's new headquarters facility in Paulding County has been operational since 2016, and more solar is on the way. By the end of 2021, GreyStone Power will have enough solar energy to power about 9,500 homes a year, assuming all planned facilities are completed on schedule.

The Cooperative Solar program helps members support solar power, without the installation and continued maintenance costs associated with a rooftop solar system. Nearly 700 members participate.

GreyStone Power is also purchasing more economical, renewable hydroelectric power from the Southeastern Power Administration (SEPA).

Many members are now driving electric vehicles and using smart appliances and devices that can shift their electric use from on-peak periods (when electricity costs more) to low-cost, off-peak periods. Through GreyStone Power's new Residential Electric Vehicle Rate (EV rate), introduced last year, members receive a lower price for electricity for charging their vehicles during times when the cooperative's costs are their lowest.

GreyStone Power's connections run deep, extending beyond the meter into the very heart of our communities. From services that improve members' lives to partnerships that help our communities thrive, we're making life better for the people we serve.

***Douglas County Sentinel* – Best Employer in Douglas County** (fourth consecutive year)

Paulding County Chamber of Commerce Business of the Year

Douglas County Chamber of Commerce Top Ten Young Professionals – Vice President of Engineering Nadia Faucette

***West Georgia Living Magazine's* 40 under 40 Rising Stars** – PR & Communications Manager Ashley Kinnard and Engineering Manager Seth Mitchell

Georgia Electric Membership Corp. Lifesaving Awards – Lead Lineman Brett Corley; the linemen crew of Brian Carden, Jacob Brumbelow, Nabil Chabayta, Austin Frazier, Matt Ingram and Taylor Shadrix

Georgia Lineman's Rodeo – The GreyStone Power team of Line Foremen Tony Brown and Matt Williams, Lineman Sam Albright and Meter Apparatus Foreman John Atcheson (coach) came home as the State Champion and overall winner.

International Lineman's Rodeo – GreyStone's Georgia Rodeo-winning team placed second in the EMC division and fifth overall.

Board of **Directors**

Maribeth Wansley
District 6

David Hagenow
Secretary-Treasurer
District 3

Genevieve Cole
Vice Chair
District 1

Gary Miller
President/CEO

Milton Jones
District 7


Lucy Andres
District 9
Neal Dettmering
District 4
Billy Mayhew
District 5
John Walton
District 2
Jim Johns
Board Chair
District 8

KEY STATISTICS

33 career awareness events held throughout the cooperative's service area in 2019

GreyStone Gives

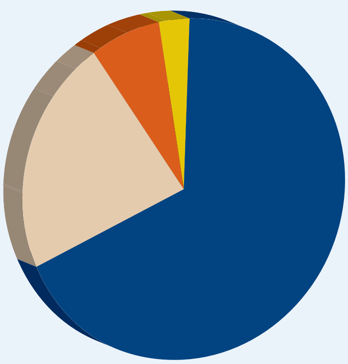
367 hours volunteered by GreyStone employees since 2018

1,100-plus jobs secured for local workers through additional business accounts

2,000 local families helped last year

1,105 blocks of solar energy purchased last year by members participating in Cooperative Solar

2019 Fuel Mix



68%	Natural Gas
22%	Nuclear
7%	Coal
3%	Renewables

Where the money comes from

66.08%	Residential
22.40%	Small Commercial
10.50%	Large Commercial
1.02%	Public Lighting

Where the money goes

74.65%	Purchased Power
15.47%	Operating Expenses
6.13%	Depreciation
3.75%	Interest

MCNAIR MCLEMORE MIDDLEBROOKS & CO
CERTIFIED PUBLIC ACCOUNTANTS

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October 24, 2019

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
GreyStone Power Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of GreyStone Power Corporation, which comprise the balance sheets as of August 31, 2019 and 2018, and the related statements of operations, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GreyStone Power Corporation as of August 31, 2019 and 2018, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued a report dated October 24, 2019 on our consideration of GreyStone Power Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation'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 GreyStone Power Corporation's internal control over financial reporting and compliance.

MCNAIR, MCLEMORE, MIDDLEBROOKS & CO., LLC

McNair, McLemore, Middlebrooks & Co., LLC

ASSETS

	2019	2018
Utility Plant		
Electric Plant in Service-At Cost	**$ 512,389,110**	$ 490,785,372
Construction Work in Progress	**10,477,974**	11,030,365
Gross Utility Plant	**522,867,084**	501,815,737
Accumulated Provision for Depreciation	**(132,930,839)**	(124,917,779)
	389,936,245	376,897,958
Other Property and Investments		
Investments in Associated Organizations	**27,902,300**	26,552,748
Other Investments	**795,632**	13,295,632
Restricted Funds	**426,237**	361,765
	29,124,169	40,210,145
Current Assets		
Cash and Cash Equivalents	**81,354,823**	53,508,747
Short-Term Investments	**22,000,000**	11,900,000
Accounts Receivable (Net of Accumulated Provision for Uncollectibles of $322,032 in 2019 and $129,957 in 2018)	**27,998,610**	28,075,981
Accrued Utility Revenues	**16,387,420**	14,108,283
Materials and Supplies	**5,099,843**	4,507,283
Prepayments	**5,615,023**	37,838,101
Other	**2,486,207**	2,447,524
	160,941,926	152,385,919
Deferred Debits	**7,840,473**	6,302,014
Total Assets	**$ 587,842,813**	$ 575,796,036

See accompanying notes which are an integral part of these financial statements.

MEMBERS' EQUITY AND LIABILITIES

	2019	2018
Members' Equity		
Membership Fees	**$ 1,190,925**	$ 1,165,000
Patronage Capital	**268,324,486**	258,709,526
Other Equities	**26,454,733**	24,761,337
	295,970,144	284,635,863
Long-Term Debt	**232,057,733**	228,474,343
Current Liabilities		
Current Portion of Long-Term Debt	**14,285,921**	13,807,898
Accounts Payable	**15,317,355**	19,884,490
Consumer Deposits	**18,008,211**	17,404,251
Other	**10,697,657**	10,550,720
	58,309,144	61,647,359
Deferred Credits	**1,505,792**	1,038,471
Total Members' Equity and Liabilities	**$587,842,813**	$575,796,036

See accompanying notes which are an integral part of these financial statements.

Statement of Operations
for the Years Ended August 31

	2019	2018
Operating Revenues	**$287,446,522**	$274,036,533
Operating Expenses		
Cost of Power	**204,279,946**	194,256,300
Distribution Operations	**9,591,242**	9,721,772
Distribution Maintenance	**12,311,476**	10,992,168
Consumer Accounts	**6,322,245**	6,717,815
Consumer Information and Sales	**2,304,301**	2,291,959
Administrative and General	**11,805,303**	11,768,843
Depreciation	**16,765,783**	17,205,699
Total Operating Expenses	**263,380,296**	252,954,556
Operating Margins Before Interest Expense	**24,066,226**	21,081,977
Interest Expense	**10,269,073**	10,091,482
Operating Margins After Interest Expense	**13,797,153**	10,990,495
Nonoperating Margins	**6,553,905**	6,008,508
Generation and Transmission Cooperative Capital Credits	**959,461**	1,005,881
Other Capital Credits and Patronage Capital Allocations	**934,341**	1,120,527
Net Margins	**$ 22,244,860**	$ 19,125,411

See accompanying notes which are an integral part of these financial statements.

Statements of Changes in Members' Equity
for the Years Ended August 31, 2019 and 2018

	Total Members' Equity	Membership Fees	Patronage Capital	Other Equities
Balance, August 31, 2017	$ 275,466,072	$ 1,141,900	$ 250,164,897	$ 24,159,275
Net Margins	19,125,411	-	19,125,411	-
Membership Fees	23,100	23,100	-	-
Retirement of Patronage Capital	(8,728,437)	-	(10,580,782)	1,852,345
Retired Capital Credit Gains	(1,250,283)	-	-	(1,250,283)
Balance, August 31, 2018	284,635,863	1,165,000	258,709,526	24,761,337
Net Margins	22,244,860	-	22,121,530	123,330
Membership Fees	25,925	25,925	-	-
Retirement of Patronage Capital	(10,561,159)	-	(12,506,570)	1,945,411
Retired Capital Credit Gains	(375,345)	-	-	(375,345)
Balance, August 31, 2019	**$295,970,144**	**$1,190,925**	**$268,324,486**	**$26,454,733**

See accompanying notes which are an integral part of these financial statements.

Statement of Cash Flows for the Years Ended August 31

	2019	2018
Cash Flows from Operating Activities		
Net Margins	**$ 22,244,860**	$ 19,125,411
Adjustments to Reconcile Net Margins to Net Cash Provided by Operating Activities		
Depreciation and Amortization	**17,287,820**	18,317,686
Patronage Capital from Associated Organizations	**(1,893,802)**	(2,126,408)
Equity in Earnings from Partnership Interests	**(1,099,733)**	(889,291)
Net Postretirement Benefit Cost	**(1,388,294)**	(2,556,129)
Prepaid Power Applied	**32,386,399**	6,278,814
Interest Earned on RUS Cushion-of-Credit	**(2,018,495)**	(1,920,647)
Postretirement Healthcare Plan Premiums	**(438,185)**	(302,716)
Change In		
Accounts Receivable	**(2,201,766)**	(813,429)
Prepaid Power	**-**	(20,958,240)
Other Current Assets	**(202,004)**	(523,943)
Deferred Debits	**(234,017)**	(4,875)
Accounts Payable	**(4,567,135)**	6,590,753
Other Current Liabilities	**750,897**	(3,601,348)
Deferred Credits	**402,849**	352,570
	59,029,394	16,968,208
Cash Flows from Investing Activities		
Extension and Replacement of Plant	**(29,804,070)**	(23,749,238)
Materials and Supplies	**(592,560)**	(868,038)
Change in Temporary and Other Investments	**2,400,000**	9,472,000
Return of Equity from Investments	**1,643,983**	2,050,718
	(26,352,647)	(13,094,558)
Cash Flows from Financing Activities		
Advances from Long-Term Debt	**20,000,000**	18,163,000
Principal Repayment of Long-Term Debt	**(13,920,092)**	(13,129,301)
Retirement of Patronage Capital	**(10,561,159)**	(8,728,437)
Other	**(349,420)**	(1,227,183)
	(4,830,671)	(4,921,921)
Net Increase (Decrease) in Cash and Cash Equivalents	**27,846,076**	(1,048,271)
Cash and Cash Equivalents - Beginning	**53,508,747**	54,557,018
Cash and Cash Equivalents - Ending	**$ 81,354,823**	$ 53,508,747
Supplemental Disclosure of Cash Flow Information		
Cash Payments of Interest	**$ 10,088,326**	$ 10,124,573

See accompanying notes which are an integral part of these financial statements.

(1) Summary of Significant Accounting Policies

General
Accounting policies of GreyStone Power Corporation (the Corporation) reflect practices appropriate to the electric utility industry and accounting principles generally accepted in the United States of America (U.S. GAAP). The records of the Corporation are maintained in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission as modified and adopted by the Rural Utilities Service (RUS). The following describes the more significant of those policies.

Nature of Operations
GreyStone Power Corporation is a not-for-profit corporation organized to provide electric service to its members. The Corporation operates as a cooperative whereby all monies in excess of cost of providing electric service are capital, at the moment of receipt, and are credited to each member's capital account.

Regulated Operations
The Corporation, in its rate-making capacity, accounts for certain revenue and expense deferrals in accordance with *Accounting Standards Codification (ASC) 980*.

Long-Lived Assets
The Corporation evaluates long-lived assets for impairment when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. The determination of whether impairment has occurred is based on either a specific regulatory disallowance or an estimate of undiscounted future cash flows attributable to the assets, as compared with the carrying value of the assets. If impairment has occurred, the amount of the impairment recognized is determined by estimating the fair value of the assets and recording a provision for loss if the carrying value is greater than the fair value. For assets identified as held for sale, the carrying value is compared to the estimated fair value less the cost to sell in order to determine if an impairment provision is required. Until the assets are disposed of, their estimated fair value is reevaluated when circumstances or events change.

U.S. GAAP requires the present value of the ultimate cost for an asset's future retirement be recorded in the period in which the liability is incurred. The cost should be capitalized as part of the related long-lived asset and depreciated over the asset's useful life. The Corporation has no legal retirement obligations related to its distribution facilities; therefore, a liability for the removal of these assets will not be recorded. Management believes the actual cost of removal, even though not a legal obligation, will be recovered through rates over the life of the distribution assets.

Utility Plant
Electric distribution plant is capitalized at cost less related contributions in aid of construction. In general, electric distribution plant is capitalized at the time it becomes part of an operating unit and has been energized. However, certain items of plant referred to as special equipment items (meters, transformers, oil circuit reclosers, etc.) are capitalized at the time of purchase along with related estimated cost of installation.

Depreciation and Maintenance
Depreciation of distribution plant is provided using composite straight-line rates. When property subject to depreciation is retired or otherwise disposed of in the normal course of business, its capitalized cost and its cost of removal less salvage are charged to the accumulated provision for depreciation. Provision has been made for depreciation of distribution plant at weighted average straight-line composite rate of 3.38 percent per annum.

Depreciation of general plant is provided on a straight-line basis over the estimated useful lives of the various assets. The weighted average rate on general plant is 9.84 percent per annum.

The costs of maintenance, repairs and replacements of minor items of property are charged to maintenance expense accounts.

Accounts Receivable and Credit Policies
Accounts receivable are stated at the amount billed to the consumer. Once an electric consumer's service is shut off and the account is

(1) Summary of Significant Accounting Policies (Continued)

approximately 90 days past due, the Corporation writes off the associated accounts receivable. An allowance is made for doubtful accounts based on experience and other circumstances which may affect the ability of consumers to meet their obligations. Accounts considered uncollectible are charged against the allowance. Receivables are reported on the balance sheets net of such accumulated allowance.

Fair Value Option

The Corporation has elected the fair value option for its allocated equities from Oglethorpe Power Corporation (OPC). The election to account for this financial instrument under the fair value option was made based on management's assessment of the regulation surrounding the industry in which OPC operates, OPC's financial condition and its potential effect on future returns of capital. The decision to elect the fair value option is determined on an instrument by instrument basis, must be applied to an entire instrument, and is irrevocable once elected. At this time, the Corporation has not elected to apply the fair value option to any of its other financial instruments.

Investments in Associated Organizations

Investments in associated organizations consist of the following:

- Investments in Other Cooperative Organizations - These investments represent capital investments made primarily to obtain an economical source of financing, product or service. These investments are carried at cost plus allocated equities based on guidance issued in *ASC 905-325-30*.

- OPC Capital Credits - The Corporation has elected the fair value option for valuing OPC capital credits. See Note 15 for additional details on the Corporation's fair value assessment of OPC capital credits. Unrealized gains and losses on OPC capital credits are reported in earnings as a component of generation and transmission cooperative capital credits.

Capital credit allocations from associated organizations are included on the statements of operations as generation and transmission cooperative capital credits and other capital credits and patronage capital allocations.

Materials and Supplies

Materials and supplies are generally used for construction and for operation and maintenance work and are not for resale. Cost is determined by the moving average method of inventory valuation. They are charged to construction or operations at moving average cost when used.

Restricted Funds

Restricted funds represent funds designated for specific purposes under the control of third parties or funds for which a specific purpose has been designated, and are therefore segregated from cash and cash equivalents, short-term or other investments.

Cash Equivalents, Short-Term and Other Investments

Cash equivalents include time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less. Similar instruments with an original maturity of more than three months, but less than one year, are considered short-term investments. Any instruments that mature in more than one year are included in other investments.

Equities and Margins

The Corporation is organized and operates under the cooperative form of organization. As such, patronage capital or margins are allocated to patrons on the basis of individual consumption of electric energy. Under provisions of the long-term debt agreements, until the total equities and margins equal or exceed 30 percent of the total assets of the Corporation, the return to patrons of capital contributed by them is limited. In addition, the Corporation has a financial loan covenant which specifies the Corporation's equities exceed 27 percent of total assets at the end of each fiscal quarter. The Corporation's equities were approximately 50 percent of total assets as of August 31, 2019 and 2018.

Revenue Recognition

Revenue from the sale of electricity is recorded when earned. Electric revenues include patronage capital and are billed monthly to consumers on a cycle basis. Electric rates for the Corporation include provisions to permit the board of directors to adjust billings for fluctuations in fuel costs,

(1) Summary of Significant Accounting Policies (Continued)

purchased power costs and certain other costs. Electricity which had been used by the members of the Corporation but had not been billed to the members is recorded as accrued utility revenues on the balance sheets. Unbilled electric revenue totaled $16,387,420 and $14,108,283 as of August 31, 2019 and 2018, respectively.

Presentation of Sales Tax

A portion of the Corporation's sales are subject to sales tax. The Corporation collects the sales tax from the customers and remits the tax to the appropriate taxing authority. The Corporation excludes the taxes collected and remitted from revenues and cost of sales.

Cost of Purchased Power

Cost of power is expensed as consumed.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Corporation is exempt from federal and state income taxes under Section 501(c)(12) of the Internal Revenue Code (IRC) which provides, in part, that the Corporation derive at least 85 percent of its annual gross income from members to retain the exemption. Although the Corporation has extended its December 31, 2018 information return through November 15, 2019, the Corporation has met the 85 percent requirement for the year then ended.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) released Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 is designed to create greater comparability for financial statement users across industries and jurisdictions through a more principles-based approach than companies in the United States are used to following. The standard would require companies to recognize revenue through a five-step process: (1) identify the contract with the customer, (2) identify the separate performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the separate performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The standard, as deferred one year by ASU 2015-14, will be effective for annual reporting periods beginning after December 15, 2018 and interim reporting periods within annual reporting periods beginning after December 15, 2019. The new accounting pronouncement is not expected to have a material impact on the Corporation's financial statements.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)* for lease accounting under U.S. GAAP. The new standard is intended to eliminate off-balance-sheet recording of lease obligations in an effort to create financial statements that more accurately reflect leasing activities. In general, an entity will record on the balance sheet the right-of-use assets and the corresponding lease obligations. The new standard will become effective for private companies for fiscal years beginning after December 15, 2019. Comparative periods presented in financial statements must use the same standards, as if ASU 2016-02 was in effect for the prior year presented. The adoption of ASU 2016-02 is not expected to have a material impact on the financial statements.

In March 2017, FASB issued ASU 2017-07, *Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. ASU 2017-07 requires that an entity report the service cost component of net periodic pension and postretirement benefit cost in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The remaining components of net benefit cost are required to be presented in the statement of operations separately from the service cost component and outside a subtotal of income from operations, if one is presented. The amendments further allow only the service cost component of net periodic pension and postretirement benefit costs to be eligible for capitalization. ASU 2017-07 is effective for private companies for annual periods beginning after December 15, 2018, and the interim periods within annual periods beginning

(1) Summary of Significant Accounting Policies (Continued)

after December 15, 2019, with early adoption permitted. ASU 2017-07 will be effective for the Corporation beginning on July 1, 2019. ASU 2017-07 must be applied retrospectively for the presentation of the service cost component and the other components of net periodic pension cost and net periodic postretirement benefit cost in the statement of operations, and prospectively, on and after the effective date, for the capitalization of the service cost component of net periodic pension cost and net periodic postretirement benefit cost in assets. The adoption of ASU 2017-07 could have a material impact on the financial statements based on the current benefits provided in the Corporation's postretirement healthcare plan.

In November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The update requires that cash and cash equivalents with restrictions should be included in total cash and cash equivalents on the statement of cash flows. If restricted cash is presented separately from cash and cash equivalents on the balance sheet, a reconciliation between the balance sheet and the statement of cash flows must be disclosed. The update requires retrospective application to all periods presented. The effective date of this update is for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The adoption of ASU 2016-18 is not expected to have a material impact on the financial statements.

Reclassifications
Certain reclassifications have been made within the August 31, 2018 financial statements to conform to the August 31, 2019 presentation. The reclassifications had no effect on net margins for the year ended August 31, 2018.

Subsequent Events
In preparing these financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through October 24, 2019, the date the financial statements were available to be issued.

(2) Utility Plant

Listed below are the major classes of the electric utility plant as of August 31:

	2019	2018
Distribution Plant	**$469,051,280**	$448,307,990
General Plant	**43,337,830**	42,477,382
Electric Plant in Service	**512,389,110**	490,785,372
Construction Work in Progress	**10,477,974**	11,030,365
	$522,867,084	$501,815,737

(3) Investments in Associated Organizations

Investments in associated organizations are comprised of the following as of August 31:

	2019	2018
National Rural Utilities Cooperative Finance Corporation (NRUCFC)		
Capital Term Certificates	**$ 1,339,561**	$ 1,339,561
Capital Credits	**944,222**	944,222
Georgia Rural Electric Service Corporation		
Capital Credits	**1,769,447**	1,668,370
Georgia Transmission Corporation		
Contributed Capital	**2,860,384**	2,860,384
Capital Credits	**16,691,519**	15,732,059
Smarr EMC		
Contributed Capital	**318,393**	318,393
Capital Credits	**1,736,108**	1,736,108
Other	**2,242,666**	1,953,651
	$ 27,902,300	$ 26,552,748

(4) Other Investments

Other investments are comprised of the following as of August 31:

	2019	2018
NRUCFC Commercial Paper Maturing in Excess of One Year	**$ -**	$12,500,000
Investment in Cooperative Choice, LLC	**781,093**	781,093
Other	**14,539**	14,539
	$ 795,632	$ 13,295,632

The Corporation accounts for its investments in Cooperative Choice, LLC utilizing the equity method. For the years ended August 31, 2019 and 2018, the Corporation recorded income of $1,099,733 and $889,291, respectively, as a component of nonoperating margins, related to these investments.

(5) Prepaid Power Program

The Corporation participates in a prepayment of power bills program initiated by one of its wholesale power providers. Under the terms of the program, the Corporation prepays its wholesale power costs and earns interest on the prepaid amounts. Interest earned is credited to its power bills on a monthly basis. The Corporation had prepaid power costs of $5,186,841 and $37,573,240 as of August 31, 2019 and 2018, respectively. Those amounts are classified as prepayments on the balance sheets.

(6) Deferred Debits

Deferred debits are comprised of the following as of August 31:

	2019	2018
Postretirement Healthcare Plan - Overfunded Status (See Note 11)	**$ 7,351,833**	$5,611,421
Employee Benefits Clearing	**445,117**	572,460
Other	**43,523**	118,133
	$ 7,840,473	$6,302,014

(7) Deferred Credits

Deferred credits are comprised of the following as of August 31:

	2019	2018
Marketing Incentives	**$ 804,500**	$ 355,300
Deferred Compensation Plan Liabilities	**426,237**	361,765
Unearned Pole Rental Income	**265,837**	261,114
Other	**9,218**	60,292
	$ 1,505,792	$ 1,038,471

(8) Patronage Capital

	2019	2018
Assignable	**$ 23,283,891**	$ 20,008,136
Assigned	**358,062,333**	339,216,558
	381,346,224	359,224,694
Retired	**(113,021,738)**	(100,515,168)
	$268,324,486	$ 258,709,526

(9) Other Equities

	2019	2018
Unbilled Revenue Prior to December 31, 2018	**$ 14,502,924**	$ 14,379,591
Retired Capital Credits-Gains	**11,279,036**	9,735,540
Donated Capital	**565,791**	539,249
Other	**106,982**	106,957
	$ 26,454,733	$ 24,761,337

(10) Debt

Long-term debt

Long-term debt consists primarily of mortgage notes payable to the United States of America acting through Federal Financing Bank (FFB) and CoBank. The notes are secured by a mortgage agreement among the Corporation, FFB and CoBank. Substantially all the assets of the Corporation are pledged as security for long-term debt of the Corporation. The notes generally have 35-year maturity periods and are payable on an installment basis.

Holder of Note	Weighted Average Interest Rate	2019	2018
FFB	3.26%	**$ 219,224,114**	$ 206,170,946
CoBank	3.66%	**68,758,857**	75,732,117
		287,982,971	281,903,063
Maturities Due Within One Year		**(14,285,921)**	(13,807,898)
		273,697,050	268,095,165
RUS Advance Payments Unapplied		**(41,639,317)**	(39,620,822)
		$ 232,057,733	$ 228,474,343

The Corporation's mortgage agreements require the maintenance of certain financial ratios. The Corporation achieved all the required ratios at December 31, 2018 and August 31, 2019, the most recent measurement dates.

The Corporation had $52,181,000 in unadvanced loan funds on commitment from FFB as of August 31, 2019. The availability of the funds is contingent on the Corporation's compliance with one or more preconditions set forth in the mortgage agreements.

Principal maturities of long-term debt are as follows:

Year	Amount
2020	$ 14,285,921
2021	12,744,542
2022	13,202,514
2023	13,684,705
2024	14,166,422
Thereafter	219,898,867
	$ 287,982,971

(10) Debt (Continued)

The Corporation has made unapplied advance payments to the RUS Cushion-of-Credit program. Under this program, the Corporation may make voluntary deposits into a special cushion-of-credit account. The cushion-of-credit account balance accrues interest to the Corporation at a rate of 5 percent per annum. The use of the cushion-of-credit account is restricted to funding the future debt service payments that the Corporation is obligated to pay against its outstanding indebtedness to RUS and FFB.

- No new cushion-of-credit deposits will be allowed after December 20, 2018,
- Cooperatives in the program may transfer their cushion-of-credit money to prepay RUS loans without penalty through September 30, 2020,
- Remaining cushion-of-credit funds after September 30, 2020, may be applied only to regular RUS and FFB debt service payments,
- Existing cushion-of-credit balances will earn 5 percent interest until October 1, 2020, when that rate will drop to 4 percent. Beginning October 1, 2021, interest on remaining balances will be paid at a floating one-year Treasury rate.

Line-of-Credit
The Corporation has a $26,700,000 line-of-credit with the NRUCFC which had no outstanding balance as of August 31, 2019 and 2018.

(11) Retirement Benefits

Defined Benefit Pension Plan

Pension benefits for substantially all employees of the Corporation are provided through participation in the RS Plan, a defined benefit plan qualified under Section 401 and tax-exempt under 501(a) of the IRC. 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 Corporation's annual contributions to the program represented less than 5 percent of total contributions made to the plan by all participating employers and are equal to the amounts recorded for pension cost. Contributions were approximately $3,448,000 and $3,611,000 for the years ended August 31, 2019 and 2018, respectively.

In 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 greater than 80 percent funded at January 1, 2019 and 2018 based on the PPA funding target and PPA actuarial value of assets on those dates.

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

Defined Contribution Plan
The Corporation also provides additional employee benefits to substantially all employees through the National Rural Electric Cooperative Association (NRECA) sponsored defined contribution Savings Plan (401-k). In this defined contribution plan, the Corporation's contributory portion of costs of this plan totaled approximately $355,000 and $289,000 for the years ended August 31, 2019 and 2018, respectively.

(11) Retirement Benefits (Continued)

Postretirement Healthcare Benefits

The Corporation provides major medical benefits upon retirement as follows:

- For employees hired prior to June 1, 1992 who have reached early (age 55) or normal (age 62 or 30 years of service) retirement dates with 10 years or more of active service with the Corporation at the time retirement commences, the Corporation shall bear the expense of premium payments for employee coverage under the higher deductible plan that the Corporation approves for employees.
- Regular, full time employees hired between June 1, 1992 and December 31, 2004 with 20 to 25 years of active service with the Corporation at normal retirement dates shall have 50 percent of the premium paid by the Corporation for employee coverage; those with 25 to 30 years shall have 75 percent of the premium paid by the Corporation for employee coverage; and those reaching 30 years or more of active service shall receive the benefit of having 100 percent of the employee premium paid for the coverage for the higher deductible plan that the Corporation approves for employees.
- Corporation employees hired on or after January 1, 2005 shall not be eligible for any major medical insurance benefits upon retirement, regardless of the number of years of active service with the Corporation.
- Regular, part-time employees and employees hired prior to January 1, 2005, with less than the required years of active service and who retire in good standing shall be permitted to retain coverage for them, their spouses, and their dependents by paying the full premium.

The status of the Corporation's postretirement healthcare plan as of August 31 is detailed as follows:

	2019	2018
Accumulated Postretirement Benefit Obligation, Beginning	**$ 25,424,915**	$ 26,591,994
Service Cost	**258,599**	429,189
Interest Cost	**756,370**	1,038,218
Change in Actuarial Assumptions	**(865,856)**	(2,331,770)
Actual Benefits Paid	**(352,118)**	(302,716)
Accumulated Postretirement Benefit Obligation, Ending	**25,221,910**	25,424,915
Fair Value of Plan Assets, Beginning	**31,036,336**	29,344,570
Employer Contributions	**352,118**	302,716
Actual Benefits Paid	**(352,118)**	(302,716)
Actual Return on Plan Assets	**1,537,407**	1,691,766
Fair Value of Plan Assets, Ending	**32,573,743**	31,036,336
Funded Status - Over	**$ 7,351,833**	$ 5,611,421

The plan's funded status is included in deferred debits on the balance sheets as of August 31, 2019 and 2018.

Since the fair value of plan assets exceed the actuarial present value of expected benefit payments due in the ensuing twelve months, no current obligation is presented.

Net postretirement benefit cost consisted of the following for the years ended August 31:

	2019	2018
Service Cost	**$ 258,599**	$ 429,189
Interest Cost	**756,370**	1,038,218
Actual Return on Plan Assets	**(1,537,407)**	(1,691,766)
Amortization of Actuarial Gain	**(865,856)**	(2,331,770)
	$ (1,388,294)	$ (2,556,129)

The Corporation's accumulated postretirement benefit obligation (APBO) and net postretirement benefit cost are calculated using various actuarial assumptions and methodologies. The assumptions include discount rates, healthcare trend rates, mortality rates and other factors. Actuarial assumptions are reviewed on an annual basis.

Weighted average assumptions for the years ended August 31 are as follows:

Description	**2019**	2018	2017
Discount Rate on Net Postretirement Benefit Cost	**4.04%**	3.82%	3.92%
Discount Rate on Projected Benefit Obligation	**2.95%**	4.04%	3.82%
Healthcare Cost Trend Rate			
Initial	**6.50%**	8.00%	8.00%
Ultimate	**4.50%**	5.00%	5.00%
Fiscal Year Reached	**2039**	2028	2026

Based on the third-party actuarial study, the impact of the health care trend rates is as follows:

	1% Decrease in Rates	1% Increase in Rates
Change in End of Year APBO	$ (4,403,184)	$ 5,744,330
Change in Sum of Service and Interest	$ 234,685	$ 308,542

The Corporation has elected to recognize actuarial gains or losses in the year incurred. As a result, the Corporation does not recognize comprehensive income related to its postretirement healthcare plan.

(11) Retirement Benefits (Continued)

Postretirement Healthcare Benefits (Continued)

The Corporation's expected future benefit payments under the plan are as follows:

Year	Amount
2020	$ 515,000
2021	551,000
2022	630,000
2023	754,000
2024	802,000
2025 - 2029	4,703,000

Plan assets are held in a trust and administered by an independent investment management company (the Trustee). The trust is a separate legal entity. Assets held by the trust are not subject to the general creditors of the Corporation and have been placed in the trust for the specific purpose of funding the Corporation's postretirement healthcare obligation.

The following table sets forth the weighted-average asset allocations of the plan assets as of August 31:

Year	Cash and Cash Equivalents	Fixed Income Securities	Equities Securities	Alternative Investments	Total
2019	**2.00%**	**48.00%**	**34.00%**	**16.00%**	**100.00%**
2018	2.00%	43.00%	40.00%	15.00%	100.00%

The Corporation, through the Trustee, employs a total-return investment approach whereby a mix of foreign and domestic equity securities and fixed income investments is used to maximize the long-term return of plan assets for a prudent level of risk. Risk tolerance is established through careful consideration of plan liabilities, plan funded status and corporate financial condition. Investment risk is measured and monitored on an ongoing basis through quarterly investment portfolio reviews and annual liability measurements.

The current asset allocation adheres to the Corporation's overall investment strategy for plan assets. The fair value measurement is based on unadjusted quoted market prices in active markets for identical assets. This is considered a Level 1 fair value measurement, measured utilizing the market approach, in accordance with U.S. GAAP.

The Corporation does not anticipate contributing funds to the plan during the year ended August 31, 2020, other than the current year amount paid for retirees.

Deferred Compensation Plans

The Corporation has a nonqualified deferred compensation arrangement with a select group of management and highly compensated employees. The assets of this nonqualified executive deferred compensation plan are assets of the Corporation and are included on the balance sheets as restricted funds. The Corporation does not match employee elective deferrals. Deferred compensation assets set aside for these plans totaled $426,237 as of August 31, 2019. These assets are subject to the claims of the Corporation's general creditors. A corresponding long-term liability is included in deferred credits on the balance sheets.

Deferred Compensation Plans(Continued)

The Corporation also has a pension restoration plan (PRP), which is a nonqualified deferred compensation plan that benefits certain designated employees who are within a select group of key management or highly compensated employees. The purpose of the PRP is to retain and reward long service personnel, attract and retain management employees and to rectify the effect of limitations imposed by IRC Sections 415 and 401(a)(17). The PRP contains certain vesting provisions which the employee must meet in order to receive the benefits provided under the PRP. The PRP is a defined benefit plan, but since all participants have vested and received lump sum distributions under the plan, disclosures are considered immaterial to the financial statements. At this point, the participants receive an annual benefit and payout. Payouts of $202,661 and $167,948 were distributed to participants as compensation during the years ended August 31, 2019 and 2018, respectively. Payouts are made out of the Corporation's general funds and NRECA reimburses the Corporation though bill credits from the RS Plan.

(12) Nonoperating Margins

Nonoperating margins consisted of the following as of August 31:

	2019	2018
Investment Income	**$ 5,269,656**	$ 4,894,545
Equity Earnings in Cooperative Choice, LLC	**1,009,733**	889,291
Royalties	**618,546**	512,203
Other, Net	**(344,030)**	(287,531)
	$ 6,553,905	$ 6,008,508

(13) Commitments

The Corporation has entered into various long-term contracts to meet the power supply demands of its consumers. The Corporation has a commitment to pay for its assignment of fixed costs through the term of these contracts, as well as any variable cost incurred above the allocated fixed cost amounts. The Corporation is a member of a generation cooperative known as OPC and has contracted with OPC based on a percentage of fixed or designated costs to purchase power supply from various facilities owned by OPC. The Corporation has multiple contracts with various expiration terms through 2050. Related fixed costs under these contracts were approximately $82,742,000 for the year ended August 31, 2019 and are expected to remain relatively constant in the immediate future.

The Corporation elected to participate in OPC's "5 for 5 Rate Management Program." The objective of this program is to provide a means by which existing obligations of OPC that would otherwise be recognized as expense and billed in the future can be billed to OPC members over a five-year period then credited back against the OPC member's power bill in the subsequent five years. The Corporation elected to make payments through 2021 and receive credits from 2022 through 2024. The Corporation paid approximately $7,427,000 and $4,740,000 into OPC's 5 for 5 Rate Management Program for the years ended August 31, 2019 and 2018, respectively. The Corporation earns a return on the amounts funded into this program which are credited against the Corporation's power bill.

The Corporation is a member of a transmission cooperative known as Georgia Transmission Corporation and, as such, has a Member Transmission Service Agreement which was executed in 1996. This agreement, and an approved extension, requires the Corporation to take transmission-related services through December 31, 2060. Transmission services under this agreement were approximately $19,251,000 for the year ended August 31, 2019 and are expected to remain relatively constant in the immediate future. Transmission service is recorded as a component of cost of power.

(13) Commitments (Continued)

The Corporation has an agreement with a third party to provide power requirement needs through December 31, 2022. As part of the agreement, the Corporation has agreed to meet certain financial covenants or provide credit enhancement in accordance with the terms of the agreement. The Corporation currently meets the required covenants. The cost under the agreement was approximately $36,638,000 for the year ended August 31, 2019.

The Corporation entered into an agreement in November 2012 with an independent third party to purchase a specific amount of physical energy beginning January 1, 2016 and continuing for a period of 15 years. The cost under the agreement was approximately $7,670,000 for the year ended August 31, 2019.

The Corporation has an agreement with a third party to provide power requirement needs through December 31, 2025. As part of the agreement, the Corporation has agreed to meet certain financial covenants or provide credit enhancement in accordance with the terms of the agreement. The Corporation currently meets the required covenants. The cost under the agreement was approximately $448,000 and $133,000 for the years ended August 31, 2019 and 2018, respectively.

The Corporation is party to a Purchase Power Agreement with the Southeastern Power Administration, acting through the United States Department of Energy, for electric power generated by federal reservoir projects. The cost incurred under the agreement was approximately $4,412,000 and $2,244,000 for the years ended August 31, 2019 and 2018, respectively. Costs related to this contract are expected to remain relatively constant in future years.

The Corporation has entered into various assignment and assumption agreements through Green Power EMC and its participating members. These "green power" agreements are in support of the Corporation's receiving capacity and energy from the various renewable generation projects that the Corporation has chosen to participate in through Green Power EMC. The Corporation incurred approximately $1,781,000 and $1,649,000 capacity and energy payments for these generation assets in the years ended August 31, 2019 and 2018, respectively.

Under current law, the Corporation has the ability to recover these costs from its members; however, any change to existing laws could adversely affect the ability to recover these costs.

The Corporation is involved in various other unresolved legal actions. Although it is not possible to predict with certainty the outcome of these unresolved legal actions or the range of possible losses or recovery, the Corporation believes these unresolved legal actions will not have a material effect on its financial position or results of operations and intends to vigorously defend its position related to the unresolved issues. However, any resolution that differs from management's position could adversely impact the financial statements.

(14) Concentrations

As of August 31, 2019, NRUCFC medium-term notes and select notes in the amount of $93,250,000 which were held by the Corporation were included in cash and cash equivalents, short-term investments and other investments. These instruments are not secured or otherwise subject to federally insured deposit liability coverage.

In addition, the Corporation has an investment account through CoBank which totaled approximately $4,599,000 as of August 31, 2019. This amount is included in cash and cash equivalents on the balance sheets and is not secured or otherwise subject to federally insured deposit liability coverage.

The Corporation maintains interest-bearing cash balances in multiple financial institutions; those cash balances throughout the year periodically exceed the federally insured deposits limits. The Corporation believes that its cash is not exposed to any significant risk and the Corporation has not experienced any loss in accounts which exceed federally insured limits.

(14) Concentrations (Continued)

The Corporation serves customers in the state of Georgia. The geographic concentration of the Corporation's customers results in a concentration of credit risk with respect to the collection of accounts receivable. Credit evaluations are performed on most potential customers before accepting them for service. Depending upon the results of the credit evaluation, a deposit may be required. If a customer does not pay its bill based on the terms of its service agreement, the Corporation may require a consumer deposit as a condition for continued service.

(15) Fair Value of Financial Instruments

Fair Value Hierarchy

The Corporation records certain financial and nonfinancial assets using fair value measurements. The Corporation uses a hierarchical disclosure framework that prioritizes the level of market price observability to measure investments at fair value.

The guidance establishes a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value as follows:

Level 1. Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Corporation has the ability to access.

Level 2. Valuations based on quoted market prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.

Level 3. Valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following valuation techniques are used to estimate the fair value of each class of financial instrument:

(1) *Market approach*. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities (including a business) and deriving fair value based on these inputs.

(2) *Income approach*. The income approach uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts.

(3) *Cost approach*. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (often referred to as current replacement cost). This approach assumes that the fair value would not exceed what it would cost a market participant to acquire or construct a substitute asset or comparable utility, adjusted for obsolescence.

Recurring and Nonrecurring Fair Value Measurements
The Corporation had cumulative capital credit notifications from OPC totaling $65,744,652 and $61,404,198 as of December 31, 2018 and 2017, respectively. OPC assigns patronage capital on a calendar year basis. The Corporation has elected to account for OPC capital credits as financial instruments under U.S. GAAP, based on an expectation of a return of capital, and measures these capital credits at fair value on an annual basis (recurring fair value measurement) using significant unobservable inputs (Level 3). No market data exists for these instruments.

The Corporation had no nonrecurring fair value measurements for the years ended August 31, 2019 and 2018.

(15) Fair Value of Financial Instruments (Continued)

Recurring and Nonrecurring Fair Value Measurements (Continued)

Recurring fair value measurements included in the financial statements are as follows:

	Carrying Value as of August 31	Fair Value Measurements Using: Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Fair Value Measurements Using: Significant Other Observable Inputs (Level 2)	Fair Value Measurements Using: Significant Unobservable Inputs (Level 3)	Total Gains (Losses)
2019					
Recurring Fair Value Measurement					
Investments in Associated Organizations					
OPC Capital Credits	**$ -**			**$ -**	**$ -**
2018					
Recurring Fair Value Measurement					
Investments in Associated Organizations					
OPC Capital Credits	**$ -**			**$ -**	**$ -**

Unobservable inputs are inputs that reflect management's own assumptions about the assumptions market participants would use in pricing an asset or liability based on the best information available in the circumstances.

Level 3 fair value measurements for the years ended August 31 are as follows:

	2019	2018
Beginning Balance	**$ -**	$ -
Transfers into Level 3	**$ -**	$ -
Total Gains or Losses for the Period		
Included in Margins		
Patronage Notifications	**4,340,454**	4,293,054
Fair Value Adjustment(s)	**(4,340,454)**	(4,293,054)
Purchases, Issues, Sales and Settlements	**-**	-
Ending Balance	**$ -**	$ -

(15) Fair Value of Financial Instruments (Continued)

Gains and losses included in earnings for each period are presented as a component of generation and transmission cooperative capital credits in the statements of operations.

For Level 3 fair value measurements, the Corporation's management determines the fair value measurement valuation policies and procedures. In accordance with board policy, the board of directors assesses and approves the fair value measurement policies and procedures. On an annual basis, management determines if the current valuation techniques used in the fair value measurements are still appropriate and evaluates and adjusts the unobservable inputs used in the fair value measurements based on current market conditions and any available third-party information. There were no changes in the valuation techniques during the current year.

Quantitative information about Level 3 fair value measurements for the years ended August 31, 2019 and 2018 is as follows:

Financial Instrument	Fair Value	Valuation Technique	Unobservable Input	Percentage
OPC Capital Credits	$-0-	Discounted Cash Flow	Expected Return of Capital	0.0%

The significant unobservable input used in the fair value measurement of the Corporation's OPC capital credits is an expected return of capital. Management has assessed that no expected return of capital exists based on the following factors:

- Uncertainty as to return of capital since no capital has been returned in recent years.
- Capital returns limited by debt agreements.
- Review of major construction and related debt requirements.
- Regulatory environment.
- No known market.

An increase in the percentage of expected capital returns would result in a significantly higher fair value measurement.

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