POWERFUL VALUES IN CHANGING TIMES

GREYSTONE
POWER CORPORATION
Making Life Better

2021 ANNUAL REPORT

OUR MISSION

Making Life Better in the communities we serve.

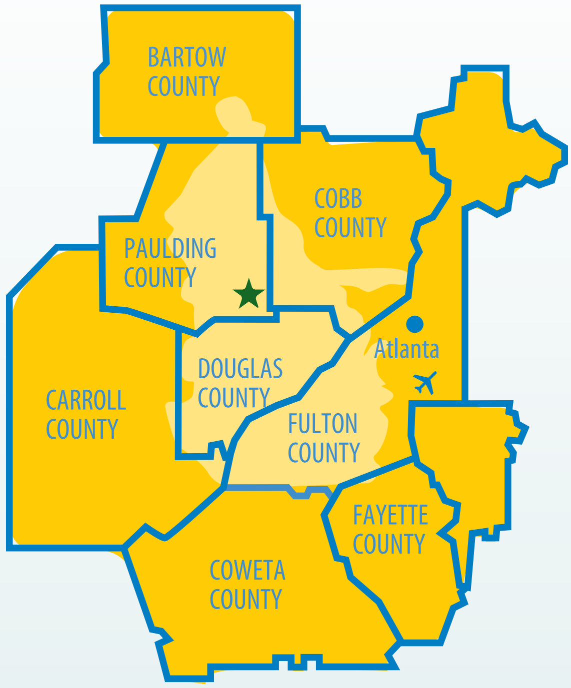
CORPORATE PROFILE

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 125,000 homes, businesses, schools and industries through more than 141,000 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.

SERVICE AREA



★ *Paulding County Headquarters*

AT A GLANCE

GREYSTONE POWER CORPORATION
An Electric Membership Corporation

Statistics at the end of each year

	NUMBER OF METERS	OPERATING REVENUE	MILES OF LINE	KILOWATT-HOURS SOLD
2021	135,320	$297,217,950	7,349	2,852,736,812
2011	115,584	$263,593,817	6,554	2,757,207,748
2001	79,505	$117,847,089	4,748	1,620,377,196
1991	52,957	$ 62,444,706	3,372	833,136,581
1981	34,690	$ 21,913,262	2,514	484,348,891

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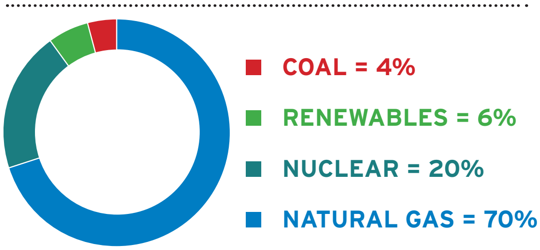
President/CEO Gary Miller, left, and Board Chair Jim Johns lead the cooperative in keeping costs low and value high.

2021 FUEL MIX



WHERE THE MONEY COMES FROM

While life seems to be changing faster than ever before, one thing remains the same: our commitment to GreyStone Power members and the communities we serve.

That commitment held steady through last year's uncertain economic times. Rates were among the lowest in Georgia. GreyStone Power members paid 19%* less than Georgia Power customers in summer, 11%* less in winter and less for electricity last winter than any other electric cooperative member in the state.*

The cooperative credited more than $21 million on 2021 bills through Wallet Watch. The board also voted to return $8 million in capital credits.

Reliability was high, with power that flowed uninterrupted 99.98% of the time.

Our economic development team helped recruit 13 new large business accounts — including a retirement community in Douglasville and a new Amazon facility. The 13 businesses will provide nearly 400 new jobs in our service area and generate local tax dollars. The new accounts will also improve power sales, which helps keep rates affordable for all members.

As the cost to produce power has risen, we have successfully reduced the impact on our costs — and yours. We added more renewable energy to our already diverse power supply in 2021. In a clean energy collaboration with other co-ops in the state, we secured a 40-megawatt (MW) share of 200 MW produced by three large-scale solar projects in south Georgia.

Power supply agreements already in place, along with more than 40 MW of hydropower and an agreement for additional solar coming online this year, will reinforce our ability to energize local homes and businesses.

Powering our community is vital, as well. In 2021, the GreyStone Foundation contributed nearly $160,000 to area nonprofits, thanks in large part to members' voluntary participation in Operation Round Up®. Your cooperative's continued support of neighbors in need, military veterans and scholarship opportunities for local students all make life better in the communities we serve.

Powering value means more than safely delivering affordable, reliable electricity. **It means always putting you, our members, first ... especially in changing times.**

Gary Miller President/CEO

James M. Johns Board Chair

*According to 2020 and 2021 rate surveys by the Georgia Public Service Commission. Based on 1,000 kilowatt-hours monthly residential use.

WHERE THE MONEY GOES

48 MEGAWATTS (MW) of renewable, solar energy and **43 MW** of hydroelectric energy helped power members in 2021. GreyStone Power continues to add more renewable energy to its diverse power supply mix.

Making Life Better

Lower rates and 24/7 convenience

GreyStone Power $99.15*

Georgia Power $112.02*

EMC Average $122.40*

* According to the 2021 winter rate survey by the Georgia Public Service Commission. Based on the residential use of 1,000 kilowatt-hours (kWh) per month.

In 2021, GreyStone Power members enjoyed some of the lowest rates in the state — and more money in their pockets.

Keeping your rates low remained an essential part of serving you, especially in a second year of the COVID-19 pandemic. As a not-for-profit electric cooperative, we provided power as close to at-cost as possible by holding down costs and planning wisely.

As a result, you enjoyed some of the lowest-priced power in the state last year. For the average residential member, a whole day's worth of electricity cost less than the price of a fast-food lunch.

The Board of Directors returned $8 million in capital credits to members and former members who received service from us in the years 2002 and/or 2020.

Convenient services encouraged members to save energy and manage monthly bills with a variety of programs and fee-free services. These included online and on-site energy audits, the Energy Efficiency Loan program, and our website and mobile apps for on-the-go account management.

More than 950 members cut heating and cooling costs through the cooperative's $100 smart thermostat rebate program. Many shopped online at the GreyStone Marketplace, taking advantage of competitive pricing on smart thermostats, LED bulbs and a variety of water-saving devices.

Your co-op's trusted energy advisors personally answered more than 600 phone inquiries that included questions about bills, rooftop solar and more. We also worked with members financially impacted by the pandemic.

We added two new payment kiosk locations — at Douglasville Country Store and our Paulding County headquarters. Members now have six 24-hour payment locations and nearly a dozen hourly locations throughout five counties. New features include a personalized MyPaySite account members can set up before heading to a kiosk.

Members enjoyed easy access to the cooperative's Annual Meeting, as well. Due to the uncertainty of the COVID-19 pandemic, GreyStone Power held a drive-thru meeting to protect the health of members and employees. Attendees surveyed said they appreciated the convenient format.

Through the payment and Outage Helper mobile apps, thousands of people quickly accessed user-friendly bill pay options, as well as outage reporting and updates.

GreyStone Power's economic development team successfully retained existing businesses and helped recruit 13 new ones in 2021. Large commercial accounts have increased power sales, helping to keep rates stable. Jobs and boosts to the local economy benefit the community, as well. One of those large businesses, Saxum Real Estate, houses nearly 500,000 square feet of freezer cooler space and will employ 75 people.

Crown Health Care Laundry Services chose GreyStone Power to provide the electricity needed to hygienically clean linens for the area's health care sector. Crown's General Manager Kevin Seitz, left, and GreyStone's Commercial Marketing Manager Wayne Glover discuss the equipment and the 180 jobs the business will provide when it reaches full production.

SERVICE BY THE NUMBERS

9,420

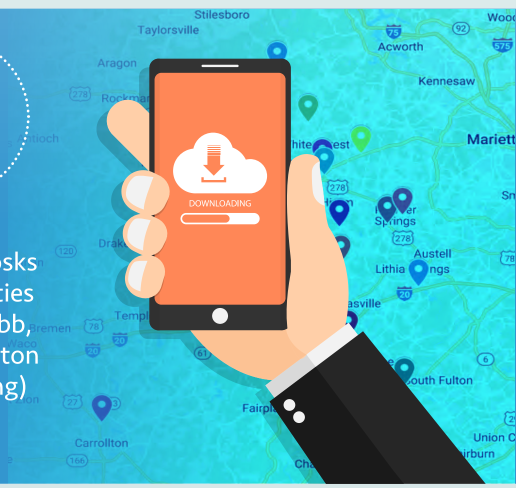
payment app downloads

2,181

Outage Helper app downloads

17

payment kiosks in five counties (Carroll, Cobb, Douglas, Fulton and Paulding)



POWERING VALUE THROUGH RELIABILITY AND RENEWABLES

Outages can occur when trees and limbs make contact with power lines. To prevent this, right-of-way crews continuously trim trees and vegetation away from more than 7,300 miles of power lines along the power delivery system.

You depend on us to safely deliver reliable, affordable electricity 24/7. Doing so requires careful planning, regular maintenance and upgrades to our power delivery system.

In a multiyear project, your co-op added and upgraded fiber to power innovative technology and faster communications. This helps minimize outages and decrease restoration times, if outages occur.

GreyStone Power also secured funding from the Rural Utilities Service for a four-year work plan of major projects to strengthen the power delivery system, enhancing reliability. Future work will include replacing utility poles and upgrading lines to carry increased amounts of high-voltage electricity, allowing for growth in power demand.

A system-wide LED lighting upgrade, completed under budget and ahead of schedule, improved security lighting in 2021. Proactive right-of-way maintenance helped decrease the number one cause of outages — trees falling onto power lines.

The Wolf Creek substation in Fulton County is now on-line and serving members. Crews continue to build out additional circuits from the substation to improve reliability and prepare for growth in the South Fulton area.

GreyStone's electricity comes from a diverse power supply mix that includes renewables. Through an agreement to purchase 20% of the cost-efficient, zero-emission power produced by three utility-scale solar facilities, we can offset rising natural gas prices.

A Cooperative Solar program offers a practical solution for members who don't wish to install or maintain rooftop solar, but do want to support renewable energy.

More than 650 members have subscribed to 1,040 blocks of solar energy produced by a facility at our Paulding County headquarters. Blocks are still available for members who wish to enroll.

GreyStone Power took action to protect members as solar scams continued to increase. Along with the Georgia Public Service Commission, we urged the attorney general's office to investigate solar scammers and their misleading advertising. We also encouraged members to contact us with questions about solar.

The cooperative also served as a resource for electric vehicles (EVs). Residential members have saved significantly through our Level 2 EV Charger Rebate program, launched last spring. Each participant received a $250 rebate for purchasing and having a Level 2 charger installed at their home. In addition to a special EV rate, drivers can get a boost at two EV charging stations at the headquarters in Paulding County.

There are so many ways GreyStone Power's dedicated board and 271 employees power value. It's one thing you can count on in changing times.

Our employees travel to local schools and community events to teach children and members about electrical safety. Using our mobile safety demonstration trailer, they share the dangers of electricity, power restoration work and the safe use of generators.

KEEPING LIFE BRIGHT BY THE NUMBERS

40,000

outdoor lights outfitted with brighter, longer-lasting, cost-efficient LEDs

496

miles of right-of-way cleared to reduce tree-related outages in 2021 (equal to the distance from Atlanta to Cape Canaveral, Florida)

POWERING VALUE THROUGH COMMUNITY SUPPORT

Employees generously donate food, clothing and energy for a workday at the Warehouse of Hope in Douglasville. Through GreyStone Gives, the co-op's employees can volunteer on-the-clock time to local nonprofits.

More than 100 local helping agencies received much-needed monetary and hands-on assistance from GreyStone Power during the second year of the pandemic. Operation Round Up® donations included $35,000 to area food banks. The co-op also raised nearly $33,000 for Gabe's Chemo Duck and the American Cancer Society's Relay For Life. Through GreyStone Gives, employees volunteered at Warehouse of Hope, Calvary Children's Home and signed 500 Christmas cards to cheer deployed military members spending the holiday away from family.

The GreyStone Power Foundation, Inc. equipped future leaders for success by awarding a $3,000 college scholarship each to Christina Bae, Zachary Davis, Kamari Dumas, Eric Okanume and Sammi Zhu. Five other high schoolers, Isaac Breiding, Nathaniel Jose, Olivia Noble, Marissa Sandoval and Jasmine Walker, represented GreyStone as delegates to the Georgia Electric Cooperative Youth Tour. Breiding won a $5,000 scholarship after collaborating in a small group video challenge.

Through a partnership with West Georgia Technical College, we helped launch a new apprentice lineman training program in 2021. We donated a used digger derrick and utility poles, as well as awarded Douglas County resident William Teague a $2,500 scholarship to attend the program.

After energizing the Paulding College and Career Academy's Energy Pathway Lab with a donation of $50,000 in 2019, we continued our support of that program. Two of its graduates, Landon Aiken and Cal Bentley, are now GreyStone Power apprentice linemen after successful internships. Another graduate, Evan Sterling, has secured an information systems department internship.

We again honored our active-duty military, veterans and employees who are spouses of veterans at our Annual Military Service Recognition event in November. As a proud supporter of Vets Power Us, we recruited and hired five veterans for our workforce in 2021.

The co-op received numerous awards and recognitions for our community service and extensive involvement with local school systems and nonprofits. That's because we're committed to making life better for those we serve.

AWARDS AND RECOGNITIONS

Large Business of the Year
by the Douglas County Chamber of Commerce

Business Partner of the Year
by the Georgia College and Career Academy (in partnership with the Paulding College and Career Academy)

Georgia EMC Lifesaving Award
Apprentice Lineman II Hunter Rider, awarded by both GreyStone Power and Georgia EMC

GreyStone Gatekeeper Awards
Line Construction and Maintenance Supervisor Josh Jones and Lead Lineman Heath Hale

Cooperative Communicators Association Awards

Public Relations and Communications Coordinator Anitra Ellison

First place — publications, online/electronic newsletter

Second place — writing, informative/investigative featurette

Third place — member publications (The GreyStone Connection)

Top Ten Young Professionals of 2021
Brand Strategist Adam Elrod

West Georgia Living *magazine's 40 under 40 Rising Stars*
Director of Process Improvement Brandon Knight

Silver Spotlight on Excellence Award
for the Power Line Podcast (Most Innovative Use of Digital Communication category)

Telly Award
Local TV — Utilities for "Good News from GreyStone Power"

SAVINGS AND SUPPORT BY THE NUMBERS

$157.1 MILLION
in total capital credits returned to members since 1936

$2.3 MILLION
in total prescription savings for members using the Co-op Connections® Card since 2011

$5.9 MILLION
in members' voluntary Operation Round Up® contributions to support local helping organizations since 1998

OUR BOARD OF DIRECTORS


Lucy Andres*
District 9
David Hagenow
Secretary-Treasurer
District 3
Jim Johns
Board Chair
District 8
Billy Mayhew
District 5
Maribeth Wansley
District 6
* Retired from the board in May 2022.

McNair McLemore Middlebrooks & Co
Certified Public Accountants

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Post Office Box One | Macon, Georgia 31202
(478) 746-6277 | mmmcpa.com

October 21, 2021

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** (the Corporation), which comprise the balance sheets as of August 31, 2021 and 2020, 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, 2021 and 2020, 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.

Other Matters

Other 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

MCNAIR MCLEMORE
MIDDLEBROOKS & CO
CERTIFIED PUBLIC ACCOUNTANTS

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(478) 746-6277 | mmmcpa.com

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued a report dated October 21, 2021 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

Balance Sheets August 31

ASSETS

	2021	2020
Utility Plant		
Electric Plant in Service - At Cost	$ 610,042,822	$ 528,685,797
Construction Work in Progress	12,167,011	62,099,555
Gross Utility Plant	622,209,833	590,785,352
Accumulated Provision for Depreciation	(133,982,325)	(140,371,964)
	488,227,508	450,413,388
Other Property and Investments		
Investments in Associated Organizations	30,646,617	29,345,051
Other Investments	581,531	901,776
Restricted Funds	588,228	472,008
	31,816,376	30,718,835
Current Assets		
Cash and Cash Equivalents	27,487,509	60,629,358
Restricted Cash	80,014	-
Short-Term Investments	8,000,000	6,000,000
Accounts Receivable (Net of Accumulated Provision for Uncollectibles of $602,464 and $574,644 in 2021 and 2020, Respectively)	26,296,912	25,381,259
Accrued Utility Revenues	15,599,519	16,086,080
Materials and Supplies	6,948,658	6,551,710
Prepayments	1,043,021	387,349
Other	1,378,566	2,229,193
	86,834,199	117,264,949
Deferred Debits	29,444,990	8,874,479
Total Assets	$ 636,323,073	$ 607,271,651

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

Balance Sheets August 31

MEMBERS' EQUITY AND LIABILITIES

		2021		2020
Members' Equity				
Membership Fees	$	**1,241,285**	$	1,221,740
Patronage Capital		**278,203,850**		259,274,982
Other Equities		**26,308,804**		27,158,914
		305,753,939		287,655,636
Long-Term Debt		**258,459,622**		248,622,184
Current Liabilities				
Current Portion of Long-Term Debt		**15,325,724**		14,212,537
Accounts Payable		**22,749,686**		25,018,229
Consumer Deposits		**19,347,385**		18,297,318
Other		**12,354,322**		11,697,357
		69,777,117		69,225,441
Deferred Credits		**2,332,395**		1,768,390
Total Members' Equity and Liabilities	$	**636,323,073**	$	607,271,651

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

GREYSTONE POWER CORPORATION
Statements of Operations
for the Years Ended August 31

	2021	2020
Operating Revenues	**$ 297,217,950**	$ 285,587,672
Operating Expenses		
Cost of Power	**214,200,386**	203,777,732
Distribution Operations	**11,467,073**	10,033,194
Distribution Maintenance	**11,792,927**	11,515,604
Consumer Accounts	**6,709,444**	6,469,390
Consumer Information and Sales	**2,447,684**	2,336,125
Administrative and General	**15,067,889**	11,930,995
Depreciation	**18,079,421**	17,174,525
Total Operating Expenses	**279,764,824**	263,237,565
Operating Margins Before Interest Expense	**17,453,126**	22,350,107
Interest Expense	**9,843,686**	9,965,395
Operating Margins After Interest Expense	**7,609,440**	12,384,712
Nonoperating Margins	**17,902,705**	3,978,336
Generation and Transmission Cooperative Capital Credits	**1,044,079**	1,100,767
Other Capital Credits and Patronage Capital Allocations	**886,054**	938,746
Net Margins	**$ 27,442,278**	$ 18,402,561

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

GREYSTONE POWER CORPORATION

Statements of Changes in Members' Equity for the Years Ended August 31, 2021 and 2020

	Total Members' Equity	Membership Fees	Patronage Capital	Other Equities
Balance, August 31, 2019	$ 295,970,144	$ 1,190,925	$ 268,324,486	$ 26,454,733
Net Margins	18,402,561	-	18,402,561	-
Membership Fees	30,815	30,815	-	-
Retirement of Patronage Capital	(26,334,435)	-	(27,452,065)	1,117,630
Retired Capital Credit Gains	(475,511)	-	-	(475,511)
Other	62,062	-	-	62,062
Balance, August 31, 2020	287,655,636	1,221,740	259,274,982	27,158,914
Net Margins	27,442,278	-	27,442,278	-
Membership Fees	19,545	19,545	-	-
Retirement of Patronage Capital	(9,285,421)	-	(8,513,410)	(772,011)
Retired Capital Credit Gains	(180,278)	-	-	(180,278)
Other	102,179	-	-	102,179
Balance, August 31, 2021	**$ 305,753,939**	**$ 1,241,285**	**$ 278,203,850**	**$26,308,804**

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

GREYSTONE POWER CORPORATION

Statements of Cash Flows for the Years Ended August 31

	2021	2020
Cash Flows from Operating Activities		
Net Margins	$ 27,442,278	$ 18,402,561
Adjustments to Reconcile Net Margins to Net		
Cash Provided by Operating Activities		
Depreciation and Amortization	19,113,156	18,033,570
Patronage Capital from Associated Organizations	(1,930,133)	(2,039,513)
Equity in Earnings from Partnership Interest	(1,227,850)	(1,102,402)
Net Postretirement Benefit Cost	(8,355,112)	1,256,160
Prepaid Power Applied	-	5,186,841
Postretirement Healthcare Plan Premiums	(451,188)	(375,545)
Gain on Disposition of Assets	(6,526,439)	(120,581)
Underrecovery of Wholesale Power Cost	(4,162,240)	-
Change In		
Accounts Receivable	(429,092)	2,541,234
Other Current Assets	194,955	514,227
Deferred Debits	630,172	(124,341)
Accounts Payable	(2,268,543)	9,471,664
Other Current Liabilities	1,707,032	1,333,620
Deferred Credits	447,785	271,816
	24,184,781	53,249,311
Cash Flows from Investing Activities		
Extension and Replacement of Plant	(71,132,980)	(81,352,690)
Proceeds from Disposition of Assets	12,500,000	1,500,000
Materials and Supplies	(396,948)	(1,451,867)
Change in Temporary and Other Investments	(2,000,000)	16,000,000
Return of Equity from Investments	2,176,662	1,593,020
	(58,853,266)	(63,711,537)
Cash Flows from Financing Activities		
Advances from Long-Term Debt	18,581,000	33,600,000
Principal Repayment of Long-Term Debt	(5,784,981)	(14,984,629)
Interest Earned on RUS Cushion-of-Credit	(1,845,394)	(2,124,305)
Retirement of Patronage Capital	(9,285,421)	(26,334,435)
Other	(58,554)	(382,634)
	1,606,650	(10,226,003)
Net Decrease in Cash, Cash Equivalents, and Restricted Cash	(33,061,835)	(20,688,229)
Cash, Cash Equivalents, and Restricted Cash - Beginning	60,629,358	81,317,587
Cash, Cash Equivalents, and Restricted Cash - Ending	$ 27,567,523	$ 60,629,358

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

Statements of Cash Flows for the Years Ended August 31

	2021	2020
Reconciliation of Cash, Cash Equivalents, and Restricted Cash		
Cash and Cash Equivalents	**$ 27,487,509**	$ 60,629,358
Restricted Cash	**80,014**	-
	$ 27,567,523	$ 60,629,358
Supplemental Disclosure of Cash Flow Information		
Cash Payments of Interest	**$ 6,063,586**	$ 9,995,164
Supplemental Disclosure of Noncash Financing Transactions		
Principal and Interest Paid Utilizing RUS Cushion of Credit	**$ 8,508,999**	$ -

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 3.25 percent per annum, except automated metering equipment which is depreciated at a rate of 6.67 percent per annum.

(1) Summary of Significant Accounting Policies (Continued)

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 5.67 percent per annum.

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

Revenue Recognition

Electric revenue is generated from contracts (service agreements) with retail electric customers. This revenue, generated from the integrated service to deliver electricity when and if called upon by the customer, is recognized as a single performance obligation satisfied over time and as electricity is delivered to the customer during the month. Unbilled revenue related to retail sales is accrued at the end of each fiscal period. Accrued, but unbilled, electric revenue totaled $15,599,519, $16,086,080, and $16,387,420 as of August 31, 2021, 2020, and 2019, respectively.

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 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.

(1) Summary of Significant Accounting Policies (Continued)

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 Investments, 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.

Restricted Cash

Restricted cash represents cash held in escrow to meet certain requirements of the Georgia Department of Transportation.

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 48 percent and 47 percent of total assets as of August 31, 2021 and 2020, 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, 2020 information return through November 15, 2021, the Corporation has met the 85 percent requirement for the year then ended.

(1) Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Updated (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 was to become effective for private companies for fiscal years beginning after December 15, 2020. On June 3, 2020, as a result of COVID-19, the FASB amended the effective dates for *Topic 842*, through the issuance of ASU 2020-05, to fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. 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.

Reclassifications

Certain reclassifications have been made within the August 31, 2020 financial statements to conform to the August 31, 2021 presentation. The reclassifications had no effect on net margins for the year ended August 31, 2020.

Subsequent Events

In preparing these financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through October 21, 2021, 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:

	2021	2020
Distribution Plant	$ 508,302,105	$ 486,122,920
General Plant	101,740,717	42,562,877
Electric Plant in Service	610,042,822	528,685,797
Construction Work in Progress	12,167,011	62,099,555
	$ 622,209,833	$ 590,785,352

(3) Investments in Associated Organizations

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

	2021	2020
National Rural Utilities Cooperative Finance Corporation (NRUCFC)		
Capital Term Certificates	$ 1,256,111	$ 1,339,561
Capital Credits	852,707	889,525
Georgia Rural Electric Service Corporation		
Capital Credits	1,967,979	1,855,602
Georgia Transmission Corporation		
Contributed Capital	2,860,384	2,860,384
Capital Credits	18,797,285	17,753,286
Smarr EMC		
Contributed Capital	318,393	318,393
Capital Credits	1,775,189	1,775,109
Other	2,818,569	2,553,191
	$ 30,646,617	$ 29,345,051

(4) Other Investments

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

		2021		2020
Investment in Cooperative Choice, LLC	$	**566,992**	$	887,237
Other		**14,539**		14,539
	$	**581,531**	$	901,776

The Corporation accounts for its investments in Cooperative Choice, LLC utilizing the equity method. For the years ended August 31, 2021 and 2020, the Corporation recorded income related to this investment of $1,227,850 and $1,102,402, respectively, as a component of nonoperating margins.

(5) Deferred Debits

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

		2021		2020
Postretirement Healthcare Plan - Overfunded Status (See Note 11)	$	**15,277,518**	$	6,471,218
Automatic Metering Project		**8,895,910**		1,799,497
Employee Benefits Clearing		**-**		613,846
System Restoration - Hurricane Zeta		**1,135,730**		-
Underrecovery of Wholesale Power Cost		**4,162,240**		-
Other		**(26,408)**		(10,082)
	$	**29,444,990**	$	8,874,479

The Federal Emergency Management Agency (FEMA) declared a substantial portion of the Corporation's service territory a disaster area (FEMA-4579-DR-GA) on January 12, 2021 due to Hurricane Zeta. FEMA has approved project worksheets substantiating reimbursement of $1,135,730. The Corporation anticipates receiving the approved amount in the ensuing twelve months.

(6) Deferred Credits

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

		2021		2020
Marketing Incentives	$	1,680,100	$	1,040,900
Deferred Compensation Plan Liabilities		588,228		472,008
Unearned Pole Rental Income		64,067		255,482
	$	2,332,395	$	1,768,390

(7) Patronage Capital

Patronage capital consisted of the following categories as of August 31:

		2021		2020
Assignable	$	28,363,243	$	17,222,739
Assigned		398,827,820		382,526,046
		427,191,063		399,748,785
Retired		(148,987,213)		(140,473,803)
	$	278,203,850	$	259,274,982

(8) Other Equities

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

		2021		2020
Unbilled Revenue Prior to January 1, 2019	$	14,502,922	$	14,502,922
Retired Capital Credits-Gains		10,959,838		11,912,127
Donated Capital		740,749		638,720
Other		105,295		105,145
	$	26,308,804	$	27,158,914

(9) 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.

Long-Term debt is comprised of the following as of August 31:

Holder of Note	Weighted Average Interest Rate	2021	2020
FFB	2.92%	**$ 254,061,899**	$ 244,709,766
CoBank	3.63%	**56,823,464**	61,888,577
		310,885,363	306,598,343
Maturities Due Within One Year		**(15,325,724)**	(14,212,537)
		295,559,639	292,385,806
RUS Advance Payments Unapplied		**(37,100,017)**	(43,763,622)
		$ 258,459,622	$ 248,622,184

The Corporation's mortgage agreements require the maintenance of certain financial ratios. The Corporation achieved all the required ratios at December 31, 2020 and August 31, 2021, the most recent measurement dates.

The Corporation had $-0- in unadvanced loan funds on commitment from FFB as of August 31, 2021.

Principal maturities of long-term debt are as follows:

Year	Amount
2022	$ 15,325,724
2023	15,856,825
2024	16,376,414
2025	16,979,021
2026	17,545,004
Thereafter	228,802,375
	$ 310,885,363

(9) Debt (Continued)

Long-Term 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 are 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, 2021 and 2020.

(10) Other Current Liabilities

Other current liabilities are comprised of the following as of August 31:

	2021	2020
Accrued and Withheld Taxes	**$ 6,766,105**	$ 6,424,785
Accrued Interest	**1,480,184**	1,464,426
Accrued Payroll	**1,086,572**	952,955
Accrued Leave	**2,746,931**	2,599,122
Other	**274,530**	256,069
	$ 12,354,322	$ 11,697,357

(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.

(11) Retirement Benefits (Continued)

Defined Benefit Pension Plan (Continued)

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 $3,420,000 and $2,686,000 for the years ended August 31, 2021 and 2020, 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, 2021 and 2020 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 $456,000 and $427,000 for the years ended August 31, 2021 and 2020, respectively.

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 retirement dates (age 62 or 30 years of service) 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.

(11) Retirement Benefits (Continued)

Postretirement Healthcare Benefits (Continued)

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

	2021	2020
Accumulated Postretirement Benefit Obligation, Beginning	**$ 29,292,158**	$ 25,221,910
Service Cost	**317,019**	369,166
Interest Cost	**619,632**	782,602
Change in Actuarial Assumptions	**(5,479,238)**	3,294,025
Actual Benefits Paid	**(451,188)**	(375,545)
Accumulated Postretirement Benefit Obligation, Ending	**24,298,383**	29,292,158
Fair Value of Plan Assets, Beginning	**35,763,376**	32,573,743
Employer Contributions	**451,188**	375,545
Actual Benefits Paid	**(451,188)**	(375,545)
Actual Return on Plan Assets	**3,812,525**	3,189,633
Fair Value of Plan Assets, Ending	**39,575,901**	35,763,376
Funded Status - Over	**$ 15,277,518**	$ 6,471,218

The plan's funded status is included in deferred debits on the balance sheets as of August 31, 2021 and 2020.

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:

	2021	2020
Service Cost	**$ 317,019**	$ 369,166
Interest Cost	**619,632**	782,602
Actual Return on Plan Assets	**(3,812,525)**	(3,189,633)
Amortization of Actuarial (Gain) Loss	**(5,479,238)**	3,294,025
	$ (8,355,112)	$ 1,256,160

(11) Retirement Benefits (Continued)

Postretirement Healthcare Benefits (Continued)

The components of net postretirement benefit cost, other than the service cost component, are included in the line item nonoperating margins for the years ended August 31, 2021 and 2020.

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	2021	2020	2019
Discount Rate on Net Postretirement Benefit Cost	**2.58%**	2.95%	4.04%
Discount Rate on Projected Benefit Obligation	**2.67%**	2.58%	2.95%
Healthcare Cost Trend Rate			
Initial	**6.20%**	6.30%	6.50%
Ultimate	**4.50%**	4.50%	4.50%
Fiscal Year Reached	**2038**	2038	2039

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	**$ (3,866,370)**	$ 4,965,897
Change in Sum of Service and Interest Costs	**$ (169,253)**	$ 225,928

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.

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

Year	Amount
2022	$ 603,000
2023	726,000
2024	777,000
2025	853,000
2026	881,000
2027 - 2031	4,566,000

(11) Retirement Benefits (Continued)

Postretirement Healthcare Benefits (Continued)

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
2021	**1.00%**	**58.00%**	**39.00%**	**2.00%**	**100.00%**
2020	43.00%	38.00%	13.00%	6.00%	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, 2021, 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 $588,228 and $472,008 as of August 31, 2021 and 2020, respectively. 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.

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 employees 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 $258,855 and $216,468 were distributed to the participants as compensation during the years ended August 31, 2021 and 2020, respectively. Payouts are made out of the Corporation's general funds and NRECA reimburses the Corporation through bill credits from the RS Plan.

(12) Nonoperating Margins

Nonoperating margins consisted of the following as of August 31:

	2021	2020
Investment Income	**$ 1,849,476**	$ 3,502,439
Other Components of Net Postretirement Benefit Cost	**8,672,131**	(886,994)
Gain on Disposition of Assets	**6,526,439**	120,581
Equity Earnings in Cooperative Choice, LLC	**1,227,850**	1,102,402
Royalties	**546,104**	545,358
Other, Net	**(919,295)**	(405,450)
	$ 17,902,705	$ 3,978,336

(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 $91,444,000 and $83,730,000 for the years ended August 31, 2021 and 2020, respectively, 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 in advance then credited back against the OPC member's power bill in the subsequent years. The Corporation elected to make payments through 2021 and receive credits from 2022 through 2027. The Corporation expensed approximately $12,553,000 and $6,308,000 into OPC's 5 for 5 Rate Management Program for the years ended August 31, 2021 and 2020, 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 $23,211,000 and $21,059,000 for the years ended August 31, 2021 and 2020, respectively, and are expected to remain relatively constant in the immediate future. Transmission service is recorded as a component of cost of power.

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 $24,061,000 and $39,555,000 for the years ended August 31, 2021 and 2020, respectively.

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 $7,488,000 and $6,419,000 for the years ended August 31, 2021 and 2020, respectively.

(13) Commitments (Continued)

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 $1,663,000 and $1,314,000 for the years ended August 31, 2021 and 2020, 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 $3,037,000 and $2,369,000 for the years ended August 31, 2021 and 2020. 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 $4,983,000 and $2,642,000 for capacity and energy payments for these generation assets in the years ended August 31, 2021 and 2020, respectively. Costs related to these contracts are expected to remain relatively constant in future years.

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, 2021, NRUCFC medium-term notes and select notes in the amount of $30,000,000 which were held by the Corporation were included in cash and cash equivalents and short-term investments. These instruments are 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.

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 $75,414,461 and $70,443,259 as of December 31, 2020 and 2019, 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, 2021 and 2020.

(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)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Gains (Losses)
2021					
Recurring Fair Value Measurement					
Investments in Associated Organizations					
OPC Capital Credits	$ -			$ -	$ -
2020					
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.

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

	2021	2020
Beginning Balance	**$ -**	$ -
Transfers into Level 3	**-**	-
Total Gains or Losses for the Period		
Included in Margins		
Patronage Notifications	**4,971,202**	4,698,607
Fair Value Adjustment(s)	**(4,971,202)**	(4,698,607)
Purchases, Issues, Sales, and Settlements	**-**	-
Ending Balance	**$ -**	$ -

(15) Fair Value of Financial Instruments (Continued)

Recurring and Nonrecurring Fair Value Measurements (Continued)

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, 2021 and 2020 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.

(16) Risks and Uncertainties

As of the issuance date of these financial statements, COVID-19 was continuing to have an adverse effect on financial markets. The effects of COVID-19 are widespread and unprecedented. The full impact that COVID-19 will have on the Corporation's financial condition, liquidity, and future results of operations is uncertain. Management is actively monitoring the situation, but given the daily evolution of COVID-19, the Corporation is not able to estimate the effects at this time.

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