



GradyEMC



July 2019

Empowering Those We Serve

Grady Electric Membership Corporation

President/CEO

Joe Pandey

Board of Directors

District 1: Eric Cohen (Chairman)

District 2: Ronald Sellars

District 3: Lee Powell

District 4: Terry Hurst (Vice Chairman)

District 5: Samuel Perkins

District 6: Jimmy Hammett

District 7: Greg Brouillet

(Secretary Treasurer)

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2019 ANNUAL REPORT

A Letter to the Members: Putting Theory to Practice



Joe Pandey

“**W**hat’s the difference between theory and practice? Well, in theory, there is none.” Today, this bit of humor rings true at Grady EMC. Leading up to last year’s Annual Report, Grady EMC championed the *theory*; we are “#BetterTogether.” Since then, your co-op has had the opportunity to *practice* that theory, and this is what it looks like: “Pulling Together.”

A lot has happened since July 2018 when our last Annual Report was delivered to your home. We experienced a series of straight-line winds that wreaked havoc in parts of Grady County near Whigham. But that challenge paled in comparison to what would come next. In October 2018, the most catastrophic event in the history of Grady EMC hit our system: Hurricane Michael.

Hurricane Michael brought the community face to face with the option of whether the theory of being “Better Together” would be put into practice. I am proud to now be part of the community that chose to do so in overwhelming fashion. It is great to be part of a community that is “Pulling Together!”

Most recently, your co-op had another opportunity to put action to the theory that we are “Better Together.” By Pulling Together with the city of Cairo’s electrical division in the aftermath of the devastating tornado on March 3, 2019, Grady EMC proved again that it is committed to the practice of Pulling Together.

Members, I applaud your co-op and
Continued on page 24H



GRADY EMC ANNUAL MEETING

Friday, Oct. 18

Family Worship Center, Cairo

8-10 a.m.: Registration

10 a.m.: Business meeting

Rate Change to Take Effect Aug. 1, 2019

Dear Member/owners,

A lot has changed since our last kilowatt-hour (kWh) rate increase in 1992. As you can see from the chart on page 24C, the cost of living has gone up over 80 percent since then. One thing that has not changed is the fact Grady EMC is committed to delivering you reliable power and quality customer service at the lowest possible cost. As such, our cooperative works hard to minimize the impact of necessary price increases, which you have enjoyed for more than a quarter of a century!

Infrequently along the way, we have increased our service availability charge, which translates to about a 4 percent increase in your overall bill during this same period. But that alone has not been enough to keep up with the ever-rising cost of doing business.

As a not-for-profit business, Grady EMC is accountable

to our member-owners, not outside investors. Although we have been intentional in our frugality, Hurricane Michael alone left us with \$8 million of expenses. Also outside of our control: other unfavorable weather, including storm damage from straight-line winds, hurricanes, tornadoes and south Georgia thunderstorms; unexpected costs; regulatory and legal requirements; plus, as we already mentioned, more than an 80 percent increase in the cost of living over the past 27 years.

As a result of these uncontrollable items, Grady EMC will be implementing a rate increase beginning Aug. 1, 2019. The increase amounts to \$15 per meter per month, or about 49 cents per day.

This is not an increase in the rate for overall use of electricity but rather in the base/minimum charge, also

known as the service availability charge. Currently, some of the fixed costs of building and maintaining the distribution electric grid, along with servicing your account, are recovered through what you pay for electricity. Grady EMC is moving to more accurately allocate these costs, both fixed and energy, to their true sources.

The service availability charge does not include the cost of the actual electricity you use, so any energy efficiency and/or renewable-energy improvements you make will still enable you to realize a true cost savings from the reduction in energy charges. Every member/owner benefits from these base services, so the base charge helps Grady EMC ensure that costs are spread fairly and equitably among the member/owners.

Your Board of Directors deliberated over several months before settling on this decision, which will have the least amount of financial impact on each member. During this deliberation, other decisions were made to improve transparency and the overall understandability of your bill such as:

The Power Cost Adjustment (PCA) will now be near zero each month. We decided to transfer this charge into our energy (kWh) rate.

Bill comparison based on consumer usage of 1,100 kWh beginning 8/1/2019

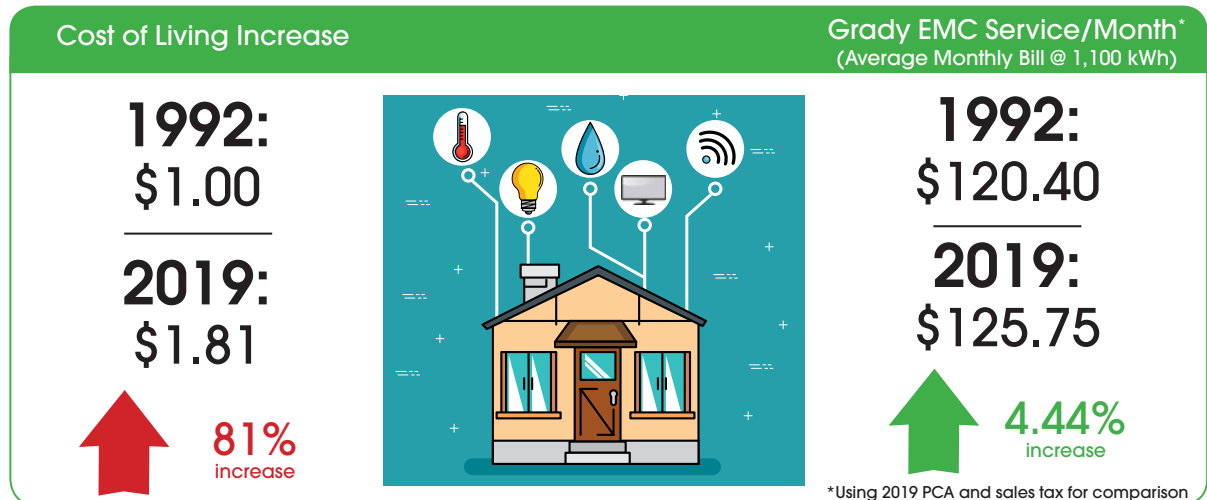
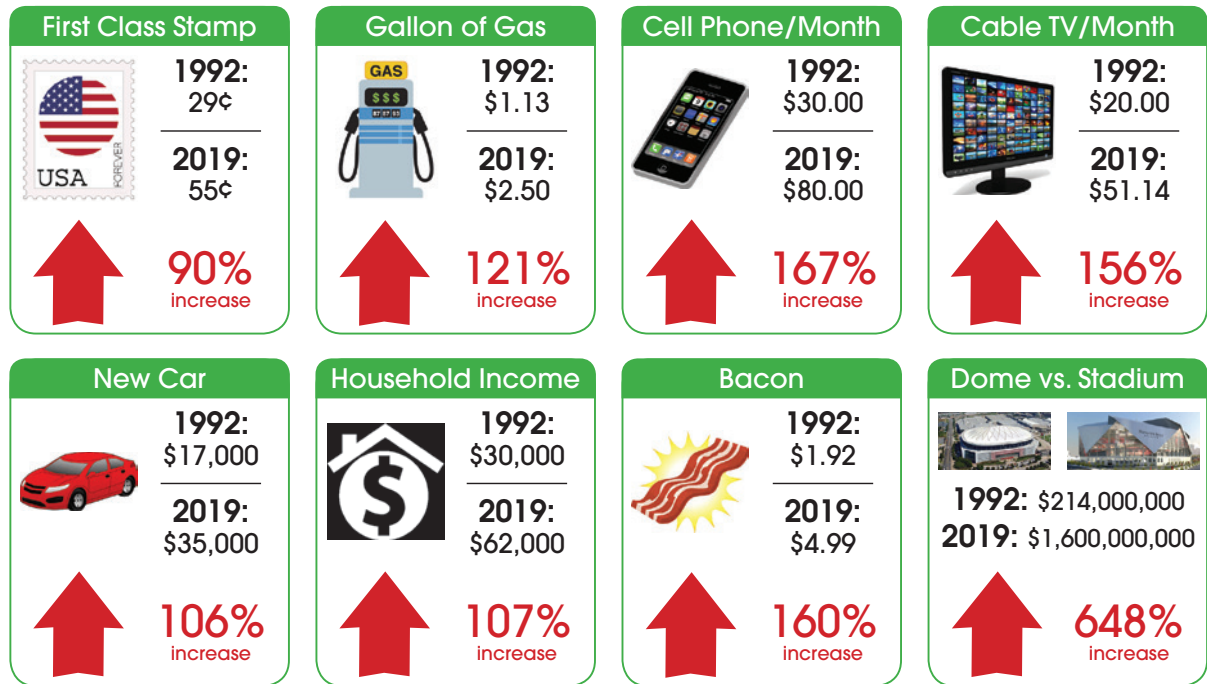
Rate 0.106/kWh	\$116.60
Power Cost Adjustment	*varies minimally with cost of power*
Customer Service Availability Charge	\$30.00
Total	\$146.60

Bill comparison based on current consumer usage of 1,100 kWh

Rate 0.076/kWh	\$83.60
Power Cost Adjustment	(average) \$33.00
Customer Service Availability Charge	\$15.00
Total	\$131.60

The increase amounts to \$15 per meter, per month, or the equivalent of 49 cents per day

COST OF LIVING: 1992 TO 2019 COMPARISON



There will be no financial impact as a result of this move for you, our member-owners, nor for Grady EMC. The PCA was at a minimum of \$0.03 per kWh monthly, and the kWh rate was \$.076. That 3 cents is now reflected in your kWh rate, which will show up as \$0.106/kWh.

We decided to do away with the minimum monthly service charge of \$15 plus \$0.75 per kilovolt ampere (KVA) of transformer capacity over 15 KVA.

Your bill is now made up of 3 parts. Moving forward, each of these three parts will be reflected and broken out on your bill each month:

1. Service availability charge (cost of doing business)

2. kWh charge (reflects the amount of electricity you use)
 3. PCA (Ensures that you are only covering the cost of kWh purchased),

It remains the mission of Grady EMC to provide safe, reliable and affordable electricity to each of our consumer-members. We will continue to work hard to minimize the impact of price increases and truly believe that even with the \$15 increase in service availability charge, the value of electricity remains high.

Eric Cohen
Grady EMC Board Chairman

Grady EMC Employees Achieve Certification

Grady EMC is proud of the following employees for the work and dedication that they have put in to enhance their knowledge and skills in their given field. Northwest Lineman College is a dynamic, visionary and international education institution providing the benchmark standard of safety and training to improve lives, an industry and the country.

Congratulations on your accomplishment and commitment to bringing our members the best service!



Kent Alligood

Kent Alligood Substation Technician Certification Program

Kent has been with Grady EMC for 10 years. He has been married for 20 years to Kim Alligood, and they have two daughters, Ansley and Kendall. Kent enjoys running and anything involving firearms and target shooting. He is also a volunteer firefighter with Thomas County Fire/Rescue.

His favorite part of working at Grady EMC is the sense of family and brotherhood involved in working on a crew and helping others in need during storms or other emergencies. His most memorable experience was during Hurricane Michael. "It was very humbling, to say the least, and gave me a sense of pride and accomplishment to see everyone pull together to get the power restored," he says.



Geoffrey Lawrence

Geoffrey Lawrence Substation Technician Certification Program

Geoffrey, who has been at Grady EMC for 12 years, has led a crew and is currently a service worker. During his free time, he enjoys catfishing, deer hunting and riding his side-by-side. He says the biggest lesson he has learned throughout his career is, "There are two types of people in this world—happy

people with power and unhappy people without power!"

He emphasizes, "In this line of work, it is very important to be prepared, and a part of being prepared in the public utility industry is watching the weather closely."



Brad Love

Brad Love Substation Technician Certification Program

Brad has been at Grady EMC 11 years, and the most important thing he has learned throughout his career is the ability to adapt to different groups and situations. "When working with a crew of different people, you have to learn to function as one unit," he says. Brad

attributes some of his best qualities, such as self-discipline and taking pride in his work, to years of working in this industry.

Away from work, Brad enjoys spending time with his wife and two children, hunting and playing his guitar.



Darryl Hooks

Darryl Hooks Substation Technician Certification Program

Darryl has been a Grady EMC employee for 30 years. He is a journeyman lineman, arborist and Utility Arborist Specialist.

He has two daughters and three grandchildren. Through his line of work, Darryl has learned important skills such as communication,

which are vital for making sure the customers are happy. Darryl is known for telling new employees, "The thing that we all can provide is customer service."

Darryl enjoys fishing at the coast, frog gigging and spending time with his family.



Christopher Howell

Christopher Howell Lineworker Certification Program

Chris, who has worked at Grady for six years, says his favorite thing about the job is the camaraderie that comes from working with a crew.

He began working in construction and is currently in metering. During his time in metering, Chris has gained a lot of experience interact-

ing with customers, which he says has helped improve his communication skills.

He enjoys hunting, fishing and spending time with his wife, Catherine.



Tyler Gamble

Tyler Gamble Lineworker Certification Program

“Line work can be hard work, but it is very fulfilling knowing that I’m helping people,” says Tyler, who has been with Grady EMC for three years. “I love the crew I’m on.”

He is an avid scuba diver and hunter and enjoys spending time with his wife and two children. Tyler is also a big fan

of the Tennessee Volunteers.



Tony Hurst

Tony Hurst Substation Technician Certification Program

Tony started at Grady EMC 17 years ago on a line crew, worked his way up to crew leader and is now a service worker.

Tony who is married with three children, also farms and raises cattle with his family. When he is not working, he enjoys hunting and fishing.



Patrick Asbell

Patrick Asbell Lineworker Certification Program

Patrick has worked at Grady EMC for five years, starting as a lineman and now working in the staking department. He enjoys spending time with his wife, family and his church family. Patrick enjoys playing guitar, hunting, and fishing.

He says that the work environment is his favorite aspect of Grady EMC. “I enjoy being around good people,” he says.



A team of Grady EMC employees (from left, Geoffrey Lawrence, Robert Hudson, Keith Phillips, Kyle Reagan, Christopher Howell and Jeremiah Brinson) recently competed in Take Aim for Progress, a fundraising event to help raise money to electrify impoverished parts of the world. Our group of sharpshooters brought home the first-place trophy. Congratulations to the team on their win and for their commitment to helping others.

Member Spotlight: Family Worship Center

In 1994, Justin Bieber was born, Kurt Cobain died and O.J. Simpson fled police in a white Ford Bronco. In that same year, a hometown boy moved back to Cairo and planted a church that would change the community!

Family Worship Center (FWC) was born in 1994, and 14 people attended the first service that July. Twenty-five years later, hundreds of people pile into two services each Sunday of the now nearly 1,000-member church.

The hometown boy, Pastor Johnny Moore, says, “It has been my dream since 1982 to see a mission-driven church built in Cairo and Grady County that would impact this region with the power and the love and grace of God, along with the power of the Holy Spirit. It has been our desire to build a congregation that would demonstrate a real love for the community and reach the unchurched population of this region while providing ‘A Great Place to Call Home’ for all those without a church home.”

Family Worship Center is not only fulfilling its mission of creating “A Great Place to Call Home,” among its members, but it also has constructed a senior adult community of 31 apartments for the elderly that they may quite literally call “A Great Place To Call Home.”

In addition to leading the congregation at FWC, Moore serves as the chaplain for the Grady County Sheriff’s Office, Cairo Fire Department and Cairo Police Department and uses the church to serve and connect the community through the Back to School Blue Jean Sunday, which many teachers, administrators and board members attend. “One Voice” is an annual communi-



Pastor Johnny & Dianne Moore
Family Worship Center
Sunday, July 7th
8:30 AM & 10:30 AM
6:00 PM

Bishop Bill Lee
Sunday, July 7th
8:30 AM & 10:30 AM
6:00 PM

Pastor Tony Stewart
Monday, July 8th 7:00 PM

Dr. Mike Baker
Tuesday, July 9th 7:00 PM

Pastor Kevin Wallace
Wednesday, July 10th
7:00 PM

Joshua Moore
Worship Pastor,
Family Worship Center

Family Worship Center Sanctuary Choir

fwc
FAMILY WORSHIP CENTER
"A Great Place to Call Home"

ty choir concert that promotes corporate worship across multiple churches and denominations. Thousands are reached each year at the annual FWC Easter production, and in 2020, the FWC Sanctuary Choir will spread the reach of the gospel message when they perform at New York’s Carnegie Hall!

FWC supports local drug prevention and intervention efforts through the Red Ribbon Rally and the Celebrate

Recovery ministry. FWC also provides food boxes for the needy through the Operation Compassion ministry that is 100 percent supported by donation. Furthermore, FWC serves as a comfort station that distributes items such as tarps, water and other relief items in times of disaster. Grady

EMC is proud to spotlight Family Worship Center as it exemplifies what it means to truly “Pull Together.”

Family Worship Center will be marking its 25th anniversary July 7-10 with a summer celebration, “The Year of Promise,” featuring guest speakers. As always, the community is invited to join the celebration!

Grady EMC is proud to spotlight Family Worship Center as it exemplifies what it means to truly “Pull Together.”

Consolidated Balance Sheets

ASSETS	Years Ended December 31, 2018 and 2017	
	2018	2017
Electric plant:		
In service – at cost	\$ 113,865,183	\$ 109,155,175
Construction work in progress	7,958,223	383,086
	<u>121,823,406</u>	<u>109,538,261</u>
Less – Accumulated provisions for depreciation	(27,440,001)	(25,801,264)
	<u>94,383,405</u>	<u>83,736,997</u>
Other assets and investments:		
Investments in associated organizations	19,373,199	17,832,989
Equity investments	2,882,361	2,338,091
Notes receivable	2,215,386	2,215,386
Non-utility plant, net of accumulated depreciation of \$45,540 in 2018 and \$39,330 in 2017	1,643,046	1,649,256
	<u>26,113,992</u>	<u>24,035,722</u>
Current assets:		
Cash	1,820,857	1,549,490
Accounts receivable (less allowance for doubtful accounts of \$246,446 in 2018 and \$260,763 in 2017)	2,318,137	2,521,893
Unbilled electric revenue	1,566,829	1,808,975
Materials and supplies (at average cost)	693,144	551,022
Other	147,834	193,766
	<u>6,546,801</u>	<u>6,625,146</u>
Deferred charges	17,134	12,243
Total assets	<u>\$ 127,061,332</u>	<u>\$ 114,410,108</u>
EQUITIES AND LIABILITIES		
Equities:		
Membership fees	\$ 66,555	\$ 66,365
Patronage capital	49,161,792	47,022,188
Other	3,796,726	2,664,300
	<u>50,025,073</u>	<u>49,752,853</u>
Long-term obligations, net of current maturities:		
Mortgage notes	40,520,452	42,393,181
Accumulated provision for postretirement benefits	5,359,846	5,574,523
	<u>45,880,298</u>	<u>47,967,704</u>
Current liabilities:		
Current maturities of long-term debt	1,951,942	2,030,641
Lines of credit	18,621,044	7,621,044
Accounts payable	3,265,331	3,023,970
Consumer deposits	1,531,478	1,536,528
Other	2,786,166	2,477,368
	<u>28,155,961</u>	<u>16,689,551</u>
Total equities and liabilities	<u>\$ 127,061,332</u>	<u>\$ 114,410,108</u>

Consolidated Statements of Revenues and Comprehensive Margins

Years Ended December 31, 2018 and 2017

	2018	2017
Operating revenues	\$ 37,933,809	\$ 41,062,270
Operating expenses:		
Cost of power	22,331,914	25,768,943
Distribution operations	2,455,065	2,233,770
Distribution maintenance	3,139,891	3,568,804
Consumer accounts	1,485,483	1,420,824
General and administrative	3,186,248	2,692,274
Depreciation.....	3,396,787	3,276,845
Taxes	116,855	10,027
	<u>36,112,243</u>	<u>38,971,487</u>
Operating margins before interest expense	1,821,566	2,090,783
Interest expense	1,798,072	1,545,269
Operating margins after interest expense	23,494	545,514
G & T and other capital credits	1,824,427	1,647,130
Net operating margins	1,847,921	2,192,644
Nonoperating margins:		
Interest income	134,257	131,621
Equity income	544,270	690,533
Other nonoperating income.....	167,528	125,296
	<u>846,055</u>	<u>947,450</u>
Net margins	2,693,976	3,140,094
Other comprehensive margins (loss)	779,209	(1,761,300)
Net comprehensive margins	<u>\$ 3,473,185</u>	<u>1,378,794</u>

Putting Theory to Practice, *Continued from page 24A*

I applaud you—for much more than the effort alone, but for the pure heart that you have poured out for one another. You lent your time and energy into helping your neighbors. You provided meals and kind letters for the employees of Grady EMC. You had a successful Annual Meeting that was held civilly and diplomatically amid a storm. You have made me a believer that the theory

of being Better Together functions the best when we are Pulling Together.

I look forward to serving this community in the coming years. You can rest assured that your Grady EMC will keep Pulling Together!

Joe Pandy
President/CEO

Consolidated Statements of Changes in Equities

Years Ended December 31, 2018 and 2017

	2018	2017
Membership fees:		
Balance at beginning of year.....	\$ 66,365	\$ 66,470
Memberships issued (refunded), net.....	190	(105)
Membership fees at end of year.....	<u>66,555</u>	<u>66,365</u>
Patronage capital:		
Balance at beginning of year.....	47,022,188	44,569,199
Net margins.....	2,693,976	3,140,094
Patronage capital retirements and gains.....	(554,372)	(687,105)
Patronage capital at end of year.....	<u>49,161,792</u>	<u>47,022,188</u>
Other equities:		
Balance at beginning of year.....	2,664,300	4,013,874
Patronage capital retirements and gains.....	353,217	411,726
Other comprehensive margins.....	779,209	(1,761,300)
Other equities at end of year.....	<u>3,796,726</u>	<u>2,664,300</u>
Total equities.....	<u>\$ 53,025,073</u>	<u>\$ 49,752,853</u>



Consolidated Statements of Cash Flows

Years Ended December 31, 2018 and 2017

	2018	2017
Cash flow from operating activities:		
Net margins	\$ 2,693,976	\$ 3,140,094
Noncash income and expenses included in net margins:		
Equity income	(544,270)	(690,533)
Depreciation	3,959,909	3,578,615
G&T and other capital credits	(1,824,427)	(1,647,130)
Provision for postretirement benefits	669,436	306,000
Gain on disposal of plant	(121,651)	(70,346)
Decrease (increase) in:		
Accounts receivable and unbilled electric revenue	445,902	(856,638)
Other current assets	45,932	45,755
Deferred charges	(4,891)	(12,243)
Increase (decrease) in:		
Accounts payable	241,361	108,095
Other current liabilities	308,798	230,313
Deferred credits	—	(2,385)
Cash flows provided by operating activities	<u>5,870,075</u>	<u>4,129,597</u>
Cash flows from investing activities:		
Construction and acquisition of plant	(13,865,560)	(5,850,431)
Plant removal costs	(875,867)	(1,260,185)
Materials salvaged from retirements	91,520	93,285
Increase in materials and supplies	(142,122)	(18,245)
Proceeds from disposal of plant	171,451	89,050
Equity investments	—	(415,000)
Proceeds from retirement of associated organizations patronage	284,217	229,224
Cash flows used by investing activities	<u>(14,336,361)</u>	<u>(7,132,302)</u>
Cash flows from financing activities:		
Proceeds (payments) on lines of credit, net	11,000,000	5,621,044
Advances of long-term debt	—	6,336,476
Payments of long-term debt	(1,951,428)	(8,288,319)
Funding of postretirement benefits	(104,904)	(81,092)
Capital credit retirements	(201,155)	(275,379)
Memberships issued (refunded), net	190	(105)
Increase in consumer deposits	(5,050)	13,905
Cash flows provided by financing activities	<u>8,737,653</u>	<u>3,326,530</u>
Net change in cash and cash equivalents	271,367	323,825
Cash and cash equivalents – beginning of year	1,549,490	1,225,665
Cash and cash equivalents – end of year	<u>\$ 1,820,857</u>	<u>\$ 1,549,490</u>

Consolidated Statements of Cash Flows

Years Ended December 31, 2018 and 2017

	2018	2017
Supplemental schedule of noncash investing and financing activities:		
Increase in other equities resulting from discounting capital credit retirements	\$ 353,217	\$ 411,726
Supplemental disclosures of cash flow information – Cash paid during the year for:		
Interest	\$ 1,771,500	\$ 1,510,480



Secretary and Treasurer's Report

Each year, we obtain the services of Certified Public Accountants to perform an audit of the corporation's accounting records. This audit includes an examination of the cooperative's consolidated balance sheets, related statements of consolidated revenues, comprehensive margins, changes in equities, cash flows for the year then ended, and notes to the financial statements.

Our auditor, Nichols, Cauley & Associates, LLC, conducts our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in accordance with the requirements of the Rural Utilities Service as outlined in Part 1773 of the Code of Federal Regulations entitled Policy on Audits of RUS Borrowers—more information may be found at:

<http://www.rd.usda.gov/files/upaBulletin1773-1.pdf>

Financial statements for the fiscal year ended December 31, 2018, reflect the status of Grady Electric Membership Corporation. To view the completed financial statements contained in our 2018 financial audit, please visit our website at www.gradyemc.com.

Respectfully submitted,

Gregory R. Brouillet
SECRETARY-TREASURER

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Grady Electric Membership Corporation
and Subsidiaries
Cairo, Georgia 39828

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Grady Electric Membership Corporation and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of revenues and comprehensive margins, changes in equities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 entity'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Grady Electric Membership Corporation and Subsidiaries as of December 31, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in accordance 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 our report dated May 1, 2019, on our consideration of Grady Electric Membership Corporation and Subsidiaries' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering Grady Electric Membership Corporation and Subsidiaries' internal control over financial reporting and compliance.

Nichols, Cauley & Associates, LLC

Warner Robins, Georgia
May 1, 2019