



GradyEMC



August 2020

Empowering Those We Serve

2020 ANNUAL REPORT

**Grady Electric
Membership Corporation**

President/CEO

John Long

Board of Directors

- District 1: Eric Cohen (Chairman)
- District 2: Blake Stanaland
- District 3: Lee Powell
- District 4: Terry Hurst (Vice Chairman)
- District 5: Sammy Perkins
- District 6: Jimmy Hammett
- District 7: Greg Brouillet
(Secretary/Treasurer)

Address

1499 Highway 84 W.
PO Box 270
Cairo, Ga. 39828

Office Hours

Drive-thru
Monday–Thursday
7 a.m.–6 p.m.
Friday
7 a.m.–5 p.m.

Front lobby

Monday–Thursday
7:30 a.m.–5:30 p.m.
Closed Friday

Phone

Local: 229.377.4182
1.800.942.4362

Outage Number

Local: 229.377.6060
1.877.757.6060
Text the word “out” to 1.800.942.4362

Website

www.gradyemc.com

A Letter to the Members: Our Essential Workers

“E ssential worker” may be a new term, but it is a role that your Grady EMC has played since its inception in 1938. As time and technology have marched on, the importance of your utility provider has grown. There is a responsibility associated with this that we don’t take lightly.

We’ve demonstrated that during challenges in just the past three years. For example, in 2018, Grady EMC weathered the most devastating storm ever to hit our system, Hurricane Michael. In 2019, Grady EMC pulled together with the city of Cairo in response to the most devastating tornado ever to hit within the city limits. And here we are in 2020, facing an unprecedented global pandemic, COVID-19.

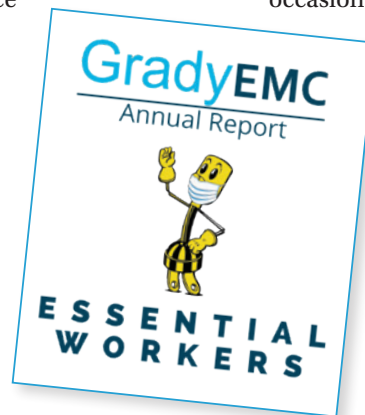
For more than eight decades, your Grady EMC has risen to the

occasion. Time and time again, our essential workers respond to your essential need for safe and reliable power.

Members, as my first correspondence with you since being named CEO of Grady EMC, I want you to know this: I am goal-oriented. Regardless of the task, I do not rest until I find a resolution to a problem. I will manage Grady EMC in the same manner, with performance-driven results. I believe our member-owners deserve a high standard, and I have always taken personal ownership in all that I have been a part of and will continue to do so.



John Long, *President/CEO*



Continued on page 18E



GRADY EMC ANNUAL MEETING

Friday, Oct. 16

Family Worship Center, Cairo

8-10 a.m.: Registration

10 a.m.: Business meeting

Location is subject to change as a result of potential COVID-19 restrictions.

Bread Wagon Appeals to All Senses

STORY, PHOTOS BY ADAM STARR

DIRECTOR, MARKETING AND MEMBER SERVICES

Had I made it no farther than the Bread Wagon parking lot, I could honestly say that I had a satisfying experience. The smell of fresh bread overtook me the moment my foot hit the asphalt. Fortunately, this was only the beginning.

Walking up to the storefront near Thomasville, I notice rustic decor that hints I'm about to take a step back in time. Stepping through the threshold, I'm reminded of Willy Wonka's song, "Come with me, and you'll be, in a world of pure imagination" "Cakes, pies and candy line the tables and shelves. And have I mentioned the smell of fresh bread?"

When greeted by the owner, Anna Marie Nissley, I force myself to snap out of my fantasy of tasting everything in sight and introduce myself.

Nissley, who has run the Bread Wagon for nearly two decades, graciously shares her story, beginning with her move to south Georgia. She had two sisters living in the area who were baking cakes and selling them at local



Owner Anna Marie Nissley prepares a Bread Wagon favorite, strawberry pie.

festivals. Nissley's children were grown, so she decided to move from her home in Virginia to open a bakery.

Nissley shares how she likes to stand on the hill behind the store and reflect on her blessings. "This has been an amazing journey," she says. "I have had to walk by faith every step of the way, and I have been blessed."

The Bread Wagon has expanded twice since it opened, and it continues to grow. The business sells 100 pound cakes a week, with many other products close behind. Chocolate, caramel, red velvet, key lime and coconut cream cakes are just the start of the vast selection. On the savory side, they also make two sizes of a variety of casseroles. The smaller one is microwaveable, and the family size can be popped into the oven for an instant meal.

The Bread Wagon also sells candles, cookbooks, handmade kitchen towels, locally grown honey from Martin Family Farms and sausage from Thompson Farms. "The community has rallied around us," says Nissley. "In return, customer service is very important to us. We want it to feel



Kara Stauffer surveys some fresh loaves of bread.



The Bread Wagon is located at 19133 U.S. 19, Thomasville. Just look for the wagon wheel.



Happy customers show off their favorite treat, cake pops!

and taste like Grandma's kitchen."

Nissley gives back to the community through some organizations she supports, such as Celebrate Recovery—at times serving up to 75 people a week. She also supports an overseas mission, the Colombian Children's Home, in Pereira, Colombia, South America.

Nissley has 14 employees, some of whom have been with her since Day One. "It has been rewarding to employ many young people over the years," she says. "We train them to work with the public, make a product with their own hands and ultimately build character."

Nissley also considers it a blessing to have had her children involved with the business. Two sons are currently employed there, and her daughter was until she started her own family.

Anna Marie Nissley, in the eyes of some, has surpassed her goal of having a "Grandma's kitchen" environment. One *yelp.com* reviewer wrote, "My grandma would be jealous!"

Grady EMC is proud to spotlight this member. We are a member-owned cooperative serving more than 13,000 members across Decatur, Grady and Thomas counties. You can visit the Bread Wagon online at breadwagon.com and also find a link to the Colombian Children's Home under the Colombian Mission tab. Learn more about Celebrate Recovery at celebraterecovery.com.



Customers have plenty of options at the Bread Wagon.



One of Anna Marie Nissley's sons, Alvin, displays a delectable strawberry pie.



Handmade goods are not limited to edible items.

Help in Your Hands!

Grady EMC has been working hard to give you, the member, as many tools as possible. Through your cellphone, you can now report outages via text message. When your power goes out, simply text the word “out” to 800.942.4362. You will receive a text back confirming your address. That’s all there is to it! From that point, you will receive updates about the outage. For an example, see the screenshot on this page.

Members may also text “help” in order to see all available texting options.

Another great feature is text alerts. You can set up text alerts by logging into your account at www.gradyemc.com and selecting Make Payment, then Online Bill Pay.

This feature is extra important if you are set up with a Prepay (pay-as-you-go) account. Some of the notification options include a daily electricity use report, low balance alert, high usage alert and pending disconnect alert.

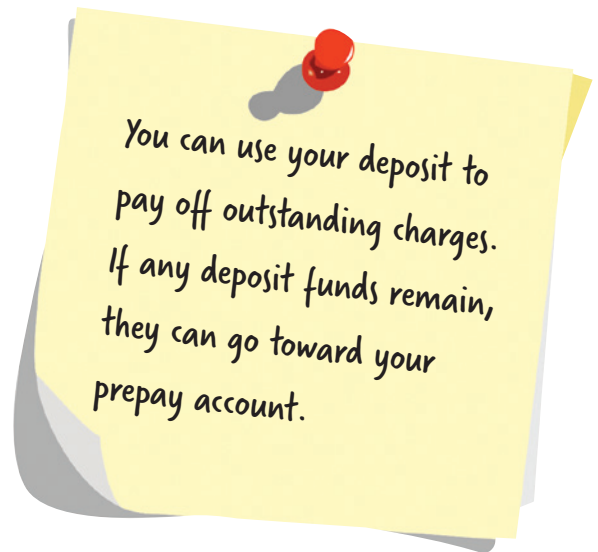


Prepay Is Here!

Grady EMC is excited to announce that the Prepay option is now a reality. Are you tired of late penalties, reconnect fees, after-hours reconnect fees? Don’t have the money for a deposit? Prepay solves all of these issues.

Prepay is similar to “pay-as-you-go” plans that cellphone companies offer. Simply load your account and manage your electricity use. You have total control. If you run low on funds, you no longer have to worry about the costly fees associated with delinquent payments. Just reload your account when funds become available. With kiosk sites coming soon, there will be even more payment options for your convenience.

Have you already paid a deposit with Grady EMC? If so, you can transfer your deposit money to pay off any outstanding charges. If your account is current, you can transfer your deposit to your Prepay account to go toward future electricity use. Instead of Grady EMC holding that deposit, you can



now put it to use! *Some members have a large deposit that can be used immediately toward their account.*

For more information about switching to Prepay, contact Grady EMC at 229.377.4182 or come by the office.

District Voting Approved

At the 2019 Annual Meeting, Grady EMC members approved a comprehensive Bylaw revision. District Voting is one of the more notable changes:

SECTION 4.7. MANNER OF VOTING FOR AND ELECTION OF DIRECTORS (a) Directors shall be elected to fill the seats for those Directors whose terms are expiring at each Annual Meeting.

(1) District Voting. Regardless of whether voting at a meeting of the members or by another manner approved by the Board, when voting in an election of directors, the members eligible to vote for any particular Director candidate shall be limited to those members having service connections within the candidate's Directorate District. If a member has service connections in more than one Directorate District, the member's vote shall be cast for the Directorate District in which the service connection for the member's primary residential abode is located. If the member is not a natural person, then the vote shall be cast for the Directorate District in which the member pays the highest amount of revenue for electric service.

For more information, a copy of the Bylaws of Grady EMC can be found at www.gradyemc.com or picked up from the office during regular business hours.



Our Essential Workers, *Continued from page 18A*

Fortunately for me—and for you, the members we serve—Grady EMC is made up of a dedicated group of essential workers, working for you, day and night, rain or shine, pandemic or no pandemic. I am proud to be a part of this team.

We have made many improvements over the last year. We have implemented a prepayment option that will help many members, mowed more than 700 miles of right-of-way and maintained more than 3,000 miles of line. Our team has also installed four triple single reclosers, which help Grady EMC reduce outage duration and frequency by closing single phases at a time. The technology associated with these devices is also an asset. We can remotely close breakers from the office and troubleshoot fault data.

Your EMC has also served the community through many school visits, performing our “Live-Line” demonstra-

tion as well as participating in many STEM nights. We have also been involved in planning a startup program through the Cairo High School College and Career Academy and Southern Regional Technical College called CLIMB (Center for lineworker instruction, mentorship and basics).

In this annual report, you will find our consolidated financial audit along with some current Grady EMC and community happenings. We have made much progress over the last year. Grady EMC has positive momentum, and I'm excited about the future. I thank you for the support that you show our essential workers and I vow to work hard for you, the members we serve.

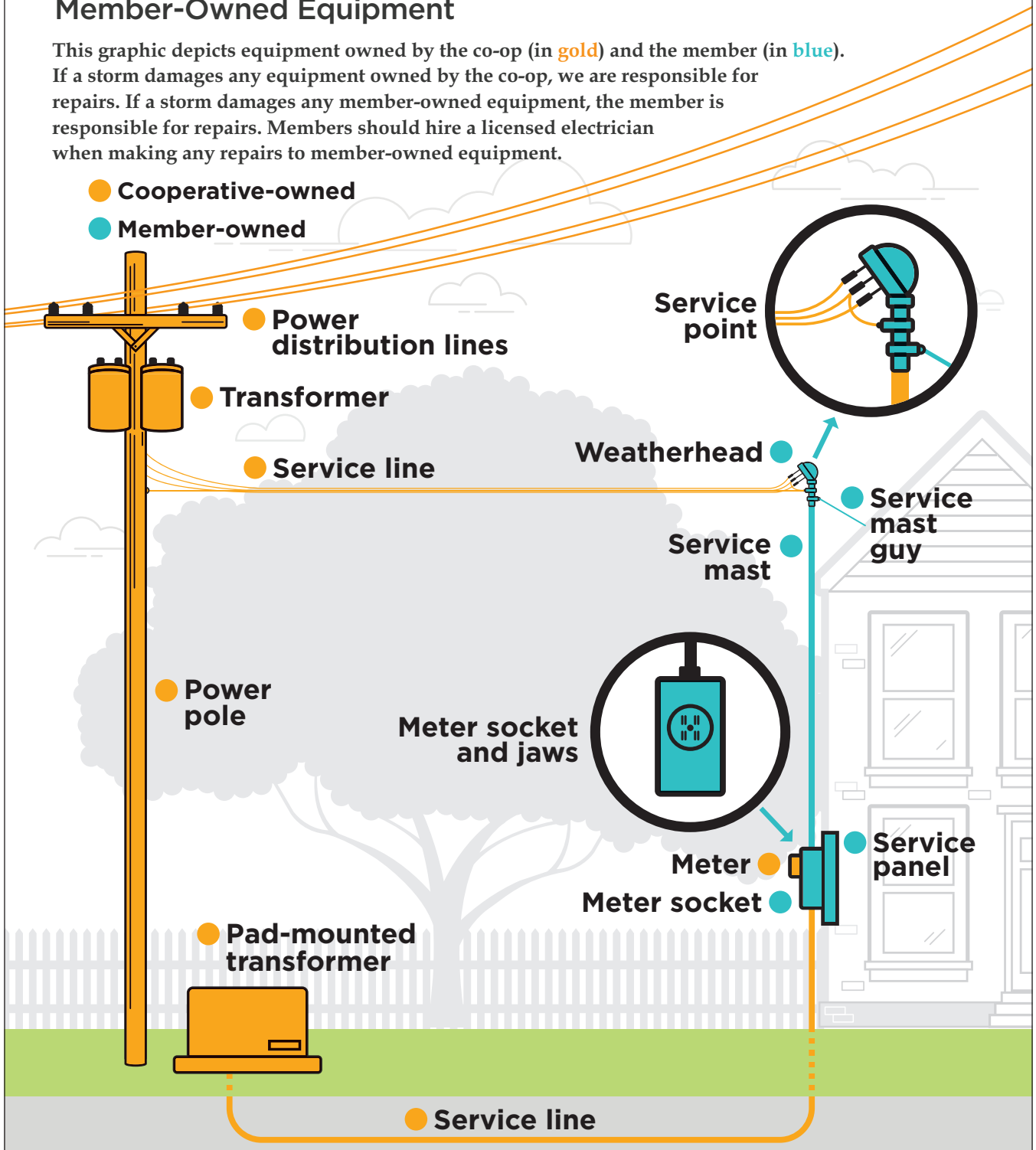
Sincerely,
John Long
President/CEO

Who Owns What?

Electric Cooperative-Owned Equipment vs Member-Owned Equipment

This graphic depicts equipment owned by the co-op (in gold) and the member (in blue). If a storm damages any equipment owned by the co-op, we are responsible for repairs. If a storm damages any member-owned equipment, the member is responsible for repairs. Members should hire a licensed electrician when making any repairs to member-owned equipment.

- Cooperative-owned
- Member-owned



Note: This graphic depicts overhead and underground service. Please be aware of which type of service you receive at your home or business.

Consolidated Balance Sheets

ASSETS	Years Ended December 31, 2019 and 2018	
	2019	2018
Electric plant:		
In service - at cost	\$ 114,314,165	\$ 113,865,183
Construction work in progress	502,523	7,958,223
	<u>114,816,688</u>	<u>121,823,406</u>
Less - Accumulated provisions for depreciation	(25,875,746)	(27,440,001)
	<u>88,940,942</u>	<u>94,383,405</u>
Other assets and investments:		
Investments in associated organizations	21,167,150	19,373,199
Equity investments	3,186,959	2,882,361
Notes receivable	-	2,215,386
Non-utility plant, net of accumulated depreciation of		
\$51,750 in 2019 and \$45,540 in 2018	1,636,836	1,643,046
	<u>25,990,945</u>	<u>26,113,992</u>
Current assets:		
Cash	3,541,013	1,820,857
Accounts receivable (less allowance for doubtful		
accounts of \$242,698 in 2019 and \$246,446 in 2018)	2,182,166	2,318,137
FEMA receivable	1,554,332	-
Unbilled electric revenue	1,899,690	1,566,829
Current portion of note receivable	2,215,386	-
Materials and supplies (at average cost)	560,127	693,144
Other	145,322	147,834
	<u>12,098,036</u>	<u>6,546,801</u>
Deferred charges	40,425	17,134
Total assets	<u>\$ 127,070,348</u>	<u>\$ 127,061,332</u>
EQUITIES AND LIABILITIES		
Equities:		
Membership fees	\$ 66,575	\$ 66,555
Patronage capital	51,156,627	49,161,792
Other	2,899,200	3,796,726
	<u>54,122,402</u>	<u>53,025,073</u>
Long-term obligations, net of current maturities:		
Mortgage notes and long-term debt	51,275,286	40,520,452
Accumulated provision for post-retirement benefits	7,583,058	5,359,846
	<u>58,858,344</u>	<u>45,880,298</u>
Current liabilities:		
Current maturities of long-term debt	2,178,271	1,951,942
Lines of credit	4,800,000	18,621,044
Accounts payable	2,872,276	3,265,331
Consumer deposits	1,539,483	1,531,478
Other	2,699,572	2,786,166
	<u>14,089,602</u>	<u>28,155,961</u>
Total equities and liabilities	<u>\$ 127,070,348</u>	<u>\$ 127,061,332</u>

Consolidated Statements of Revenues and Comprehensive Margins

Years Ended December 31, 2019 and 2018

	2019	2018
Operating revenues	\$ 40,526,458	\$ 37,933,809
Operating expenses:		
Cost of power	24,534,144	22,331,914
Distribution operations	2,672,114	2,455,065
Distribution maintenance	3,118,868	3,139,891
Consumer accounts	1,580,139	1,485,483
General and administrative	2,627,429	2,818,850
Depreciation	3,473,084	3,396,787
Taxes	—	116,855
	<u>38,005,778</u>	<u>35,744,845</u>
Operating margins before interest expense	2,520,680	2,188,964
Interest expense	2,152,100	1,798,072
Operating margins after interest expense	368,580	390,892
G&T and other capital credits	2,003,814	1,824,427
Net operating margins	2,372,394	2,215,319
Nonoperating margins:		
Interest income	143,758	134,257
Equity income	304,859	544,270
Post-retirement benefit expense	(368,948)	(367,398)
Other nonoperating income	72,883	167,528
	<u>152,552</u>	<u>478,657</u>
Net margins	2,524,946	2,693,976
Other comprehensive margins (loss)	(1,224,802)	779,209
Net comprehensive margins	<u>\$ 1,300,144</u>	<u>\$ 3,473,185</u>



Consolidated Statements of Changes in Equities

Years Ended December 31, 2019 and 2018

	2019	2018
Membership fees:		
Balance at beginning of year.....	\$ 66,555	\$ 66,365
Memberships issued (refunded), net.....	20	190
Membership fees at end of year.....	66,575	66,555
Patronage capital:		
Balance at beginning of year	49,161,792	47,022,188
Net margins	2,524,946	2,693,976
Patronage capital retirements and gains	(530,111)	(554,372)
Patronage capital at end of year	51,156,627	49,161,792
Other equities:		
Balance at beginning of year	3,796,726	2,664,300
Patronage capital retirements and gains	327,276	353,217
Other comprehensive margins (loss).....	(1,224,802)	779,209
Other equities at end of year.....	2,899,200	3,796,726
Total equities.....	\$ 54,122,402	\$ 53,025,073



Grady EMC's Adam Starr uses an energy tube to teach schoolchildren about circuits.

Consolidated Statements of Cash Flows

Years Ended December 31, 2019 and 2018

	2019	2018
Cash flow from operating activities:		
Net margins	\$ 2,524,946	\$ 2,693,976
Noncash income and expenses included in net margins:		
Equity income	(304,859)	(544,270)
Depreciation	3,994,294	3,959,909
G&T and other capital credits	(2,003,814)	(1,824,427)
Provision for post-retirement benefits	1,123,402	669,436
Gain on disposal of plant	(49,848)	(121,651)
Decrease (increase) in:		
Accounts receivable and unbilled electric revenue	(1,751,222)	445,902
Other current assets	2,773	45,932
Deferred charges	(23,291)	(4,891)
Increase (decrease) in:		
Accounts payable	(393,055)	241,361
Other current liabilities	(86,594)	308,798
Cash flows provided by operating activities	<u>3,032,732</u>	<u>5,870,075</u>
Cash flows from investing activities:		
Construction and acquisition of plant	(1,833,355)	(13,865,560)
Plant removal costs	(1,586,628)	(875,867)
Materials salvaged from retirements	48,101	91,520
Decrease (increase) in materials and supplies	133,017	(142,122)
Contributions from FEMA	4,662,997	-
Proceeds from disposal of plant	213,112	171,451
Proceeds from retirement of associated organizations patronage	209,863	284,217
Cash flows provided (used) by investing activities	<u>1,847,107</u>	<u>(14,336,361)</u>
Cash flows from financing activities:		
Proceeds (payments) on lines of credit, net	(821,044)	11,000,000
Payments of long-term debt	(2,018,837)	(1,951,428)
Funding of post-retirement benefits	(124,992)	(104,904)
Capital credit retirements	(202,835)	(201,155)
Memberships issued (refunded), net	20	190
Increase in consumer deposits	8,005	(5,050)
Cash flows provided (used) by financing activities	<u>(3,159,683)</u>	<u>8,737,653</u>
Net change in cash and cash equivalents	1,720,156	271,367
Cash and cash equivalents – beginning of year	<u>1,820,857</u>	<u>1,549,490</u>
Cash and cash equivalents – end of year	<u>\$ 3,541,013</u>	<u>\$ 1,820,857</u>

Consolidated Statements of Cash Flows

Years Ended December 31, 2019 and 2018

	2019	2018
Supplemental schedule of noncash investing and financing activities:		
Increase in other equities resulting from discounting capital credit retirements	\$ 327,276	\$ 353,217
Transfer of construction work in process to FEMA receivable	\$ 6,217,329	\$ —
Supplemental disclosures of cash flow information – Cash paid during the year for:		
Interest	\$ 2,150,670	\$ 1,771,500



Robert Beasley and Chad Parks repair a trailer.



NICHOLS, CAULEY & ASSOCIATES, LLC
 400 Corder Road
 Warner Robins, Georgia 31088
 478-929-3888 FAX 478-923-7896
 warnerrobins@nicholscauley.com

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

INDEPENDENT AUDITOR'S REPORT

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, 2019 and 2018, 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 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, 2019 and 2018, 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 June 11, 2020, 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.

Other Reporting Required by 7 CFR Part 1773

In accordance with 7 CFR Part 1773, *Policy on Audits of Rural Utilities Service Borrowers*, §1773.33 and clarified in the Rural Utility Service policy memorandum dated February 7, 2014 (the regulatory requirements for electric borrowers), we have also issued our report dated June 11, 2020, on our consideration of the Grady Electric Membership Corporation and Subsidiaries' compliance with the terms, covenants, provisions, or conditions of their loan, grant, and security instruments as set forth in the regulatory requirements for electric borrowers, insofar as they relate to accounting matters enumerated therein. The purpose of that report is to describe the scope of our testing of Grady Electric Membership Corporation and Subsidiaries' compliance with the regulatory requirement for electric borrowers and the results of that testing, and not to provide an opinion on Grady Electric Membership Corporation and Subsidiaries' compliance with the regulatory requirements for electric borrowers. That report is an integral part of an audit in considering Grady Electric Membership Corporation and Subsidiaries' internal control over financial reporting and compliance.

Nichols, Cauley & Associates, LLC

Warner Robins,
 Georgia June 11, 2020

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:

[govinfo.gov/content/pkg/FR-1998-07-28/pdf/98-20073.pdf](https://www.govinfo.gov/content/pkg/FR-1998-07-28/pdf/98-20073.pdf)

Financial statements for the fiscal year ended December 31, 2019, reflect the status of Grady Electric Membership Corporation. To view the completed financial statements contained in our 2019 financial audit, please visit our website at www.gradyemc.com.

Respectfully submitted,

Gregory R. Brouillet
 Secretary/Treasurer