HABERSHAM ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARY
CLARKESVILLE, GEORGIA

CONSOLIDATED FINANCIAL STATEMENTS AS OF
APRIL 30, 2018 AND 2017 AND
INDEPENDENT AUDITOR'S REPORT

HABERSHAM ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARY

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Habersham Electric Membership Corporation

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Habersham Electric Membership Corporation and Subsidiary** (the Corporation), which comprise the consolidated balance sheets as of April 30, 2018 and 2017 and the related consolidated statements of operations and comprehensive income, changes in members' equity 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 consolidated 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 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 Corporation'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 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 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 Habersham Electric Membership Corporation and Subsidiary as of April 30, 2018 and 2017 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.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, management has elected to change its policy for accruing unbilled revenue. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2018 on our consideration of Habersham Electric Membership Corporation and Subsidiary'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 Habersham Electric Membership Corporation and Subsidiary's internal control over financial reporting and compliance.

McNair, McLemore, Middlebrooks & Co., LLC

McNAIR, McLEMORE, MIDDLEBROOKS & CO., LLC

HABERSHAM ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
APRIL 30

ASSETS

	2018	2017
Utility Plant		
Electric Plant in Service	**$ 160,021,086**	$ 157,405,113
Construction Work in Progress	**11,309,620**	1,889,606
	171,330,706	159,294,719
Accumulated Provision for Depreciation	**(71,560,915)**	(72,053,258)
	99,769,791	87,241,461
Other Property and Investments		
Nonutility Plant	**99,710**	160,716
Investments in Associated Organizations	**18,972,508**	17,984,909
Notes Receivable	**1,254,389**	1,814,686
Restricted Funds	**83,615**	103,132
Other	**10,000**	10,572
	20,420,222	20,074,015
Current Assets		
Cash and Cash Equivalents	**789,563**	377,554
Accounts Receivable	**2,828,454**	3,019,573
Unbilled Receivables	**2,473,951**	2,335,000
Current Portion of Notes Receivable	**851,000**	438,000
Materials and Supplies	**1,335,482**	1,398,483
Prepayments	**271,246**	2,367,203
	8,549,696	9,935,813
Deferred Debits	**5,154,270**	3,882,142
Total Assets	**$ 133,893,979**	$ 121,133,431

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

HABERSHAM ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
APRIL 30

MEMBERS' EQUITY AND LIABILITIES

	2018	2017
Members' Equity		
Membership Fees	**$ 936,105**	$ 923,590
Patronage Capital	**50,815,774**	46,249,928
Donated Capital	**32,241**	30,158
Accumulated Other Comprehensive Income	**31,495**	(85,158)
Other Equities	**2,438,262**	2,474,936
	54,253,877	49,593,454
Long-Term Debt	**49,098,525**	49,462,848
Postretirement Healthcare Benefits - Noncurrent	**4,502,200**	4,865,100
Current Liabilities		
Long-Term Debt - Current	**2,683,000**	2,609,000
Postretirement Healthcare Benefits - Current	**252,900**	240,700
Accounts Payable	**5,126,562**	3,720,787
Lines-of-Credit	**10,264,500**	3,050,000
Consumer Deposits	**1,078,445**	1,044,532
Accrued and Withheld Taxes	**573,328**	534,435
Other	**1,857,384**	1,840,773
	21,836,119	13,040,227
Deferred Credits	**4,203,258**	4,171,802
Total Members' Equity and Liabilities	**$ 133,893,979**	$ 121,133,431

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

HABERSHAM ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED APRIL 30

	2018	2017
Operating Revenues and Patronage Capital	**$ 66,510,344**	$ 61,664,936
Operating Expenses		
Cost of Power	**40,881,236**	41,612,009
Distribution Operations	**2,654,730**	2,619,044
Distribution Maintenance	**4,568,438**	3,859,118
Consumer Service and Information	**498,097**	544,941
Consumer Accounts	**1,408,731**	1,673,511
Administrative and General	**3,989,406**	3,912,099
Depreciation and Amortization	**5,457,398**	5,307,487
	59,458,036	59,528,209
Operating Margins Before Interest Expense	**7,052,308**	2,136,727
Interest Expense	**2,989,843**	2,765,784
Operating Margins After Interest Expense	**4,062,465**	(629,057)
Nonoperating Margins	**675,647**	1,090,104
Generation and Transmission Cooperative Capital Credits	**886,917**	854,712
Other Capital Credits and Patronage Capital Allocations	**255,270**	329,766
Net Margins	**5,880,299**	1,645,525
Other Comprehensive Income - Postretirement Healthcare Benefits	**116,653**	(609,861)
Comprehensive Income	**$ 5,996,952**	$ 1,035,664

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

HABERSHAM ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY
FOR THE YEARS ENDED APRIL 30, 2018 AND 2017

	Total Members' Equity	Membership Fees	Patronage Capital	Donated Capital	Accumulated Other Comprehensive Income	Other Equities
Balance, April 30, 2016	$ 49,714,800	$ 911,705	$ 45,802,907	$ 27,577	$ 524,703	$ 2,447,908
Net Margins	1,645,525	-	1,738,139	-	-	(92,614)
Membership Fees	11,885	11,885	-	-	-	-
Retirement of Patronage Capital	(1,168,895)	-	(1,291,118)	2,581	-	119,642
Postretirement Healthcare Benefits	(609,861)	-	-	-	(609,861)	-
Balance, April 30, 2017	49,593,454	923,590	46,249,928	30,158	(85,158)	2,474,936
Net Margins	5,880,299	-	5,880,299	-	-	-
Membership Fees	12,515	12,515	-	-	-	-
Retirement of Patronage Capital	(1,349,044)	-	(1,314,453)	2,083	-	(36,674)
Postretirement Healthcare Benefits	116,653	-	-	-	116,653	-
Balance, April 30, 2018	**$ 54,253,877**	**$ 936,105**	**$ 50,815,774**	**$ 32,241**	**$ 31,495**	**$ 2,438,262**

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

HABERSHAM ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED APRIL 30

	2018	2017
Cash Flows from Operating Activities		
Net Margins	**$ 5,880,299**	$ 1,645,525
Adjustments to Reconcile Net Margins to Net Cash Provided by Operating Activities		
Depreciation and Amortization	**5,206,434**	5,250,674
Postretirement Healthcare Benefits	**(234,047)**	(233,761)
Patronage Capital from Associated Organizations	**(1,142,188)**	(1,184,478)
Amortization of Voluntary Prepaid Pension Contribution	**304,577**	304,576
Deferred Revenue	**-**	2,450,000
Change In		
Accounts Receivable	**191,119**	(444,336)
Other Current Assets	**1,957,006**	3,334,122
Accounts Payable	**1,405,775**	(3,374)
Accrued and Withheld Taxes	**38,893**	9,449
Other Accrued Liabilities	**16,611**	(24,449)
Deferred Credits	**31,456**	64,463
	13,655,935	11,168,411
Cash Flows from Investing Activities		
Extension and Replacement of Utility Plant	**(18,006,983)**	(7,353,781)
Investment in Capital Term Certificates	**12,329**	5,589
Return of Equity from Associated Organizations	**142,261**	71,864
Deferred Debits	**(1,080,922)**	(678,101)
Materials and Supplies	**63,001**	(373,716)
Restricted Funds	**19,517**	24,536
Nonutility Plant	**(162,558)**	(44,695)
Notes Receivable	**147,297**	275,345
Other	**571**	58,235
	(18,865,487)	(8,014,724)
Cash Flows from Financing Activities		
Membership Fees	**12,515**	11,885
Principal Repayment of Long-Term Debt	**(2,647,114)**	(2,543,747)
Advances on Long-Term Debt	**5,100,000**	-
Consumer Deposits	**33,913**	(13,700)
Lines-of-Credit	**7,214,500**	3,050,000
Retirement of Patronage Capital	**(1,349,044)**	(1,168,895)
Advance Payments on Long-Term Debt	**(2,743,209)**	(3,895,926)
	5,621,561	(4,560,383)
Net Increase (Decrease) in Cash and Cash Equivalents	**412,009**	(1,406,696)
Cash and Cash Equivalents - Beginning	**377,554**	1,784,250
Cash and Cash Equivalents - Ending	**$ 789,563**	$ 377,554

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

(1) Summary of Significant Accounting Policies

General

Accounting policies of Habersham Electric Membership Corporation and Subsidiary (the Corporation) reflect practices appropriate to the electric utility industry and generally accepted accounting principles of 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).

Consolidation

The consolidated financial statements include the accounts and results of operations of Habersham Electric Membership Corporation (Habersham EMC) and its wholly-owned subsidiary, EMC Connections, Inc. Intercompany transactions have been eliminated in the consolidation.

Nature of Operations

Habersham EMC is a member-owned, not-for-profit corporation organized to provide electric service to its members. EMC Connections, Inc. is a for-profit corporation organized to provide internet service. 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.

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 an 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 an 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.

(1) Summary of Significant Accounting Policies (Continued)

Utility Plant

Utility plant is capitalized at cost less related contributions in aid of construction. In general, utility 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.

Nonutility Plant

Nonutility plant is capitalized at cost. In general, nonutility plant is capitalized at the time it becomes available for service. Nonutility plant is reported on the consolidated balance sheets net of accumulated provision for depreciation of $17,696 and $22,797 as of April 30, 2018 and 2017, respectively.

Depreciation and Maintenance

Depreciation of the capitalized cost 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.

Depreciation of distribution plant is based on the estimated useful lives of the assets. Provision has been made for depreciation of distribution plant at a straight-line composite rate of 3.2 percent per annum, with the exception of automated meters which have a straight-line rate of 10.0 percent per annum.

Depreciation of general plant is provided on a straight-line basis over the estimated useful lives of the various assets. The rates range from 3.0 to 24.0 percent per annum.

Depreciation of nonutility plant is provided on a straight-line basis over the estimated useful lives of the various assets. The rates range from 2.56 to 20.0 percent per annum.

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

Investments in Associated Organizations

Investments in associated organizations include investments in other cooperative organizations. Investments in other cooperative organizations represent capital investments made primarily to obtain an economical source of supply, financing, product or service. Investments in other cooperative organizations are carried at cost plus allocated equities in accordance with *Accounting Standards Codification (ASC) 905-325-30*.

Cash Equivalents

Cash equivalents include time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less.

(1) Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of consolidated 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 consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Restricted Funds

Restricted funds consist of cash and cash equivalents, which use is restricted. The funds include economic development funds that have yet to be advanced and deferred compensation to management.

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 deemed uncollectible, 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 consolidated balance sheets net of the provision for uncollectible accounts of $265,213 and $408,259 as of April 30, 2018 and 2017, respectively.

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. Materials and supplies are charged to construction or operations at moving average cost when used.

Regulated Operations

The Corporation, in its rate-making capacity, has the ability to account for certain revenue and expense deferrals in accordance with *ASC 980*.

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. The Corporation's equities were 40.52 percent and 39.78 percent of total assets as of April 30, 2018 and 2017, respectively.

Cost of Purchased Power

Cost of power is expensed as consumed.

(1) Summary of Significant Accounting Policies (Continued)

Operating Revenues and Patronage Capital

Electric revenues include patronage capital and are billed monthly to consumers on a cycle basis. Electric rates for the Corporation include provisions to permit the board of directors to adjust billings for fluctuations in fuel costs, purchased power costs and certain other costs.

Electricity which had been used by the members of the Corporation but had not been billed to the members is recorded on the consolidated balance sheets as unbilled receivables. The components of this unbilled revenue can fluctuate based on factors including rate structure, weather, period of use, cost of purchased power and other factors.

Patronage capital represents the Corporation's accumulated retained excess of revenues over expense that has been allocated annually to its members. Distributions to members are made at the discretion of the board of directors in accordance with the bylaws, subject to restrictions contained in the long-term debt agreements.

Generation and Transmission Cooperative Capital Credits

Generation and transmission cooperative capital credits represent the annual capital furnished to Oglethorpe Power Corporation, Smarr EMC and Georgia Transmission Corporation through payment of power bills. The capital is recorded in the year provided.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) released Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 is designed to create greater comparability for financial statement users across industries and jurisdictions through a more principles-based approach than companies in the United States are used to following. The standard would require companies to recognize revenue through a five-step process: (1) identify the contract with the customer, (2) identify the separate performance obligations in the contract, (3) determine the transaction type, (4) allocate the transaction price to the separate performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The standard, as deferred one year by ASU 2015-14, will be effective for annual reporting periods beginning after December 15, 2018 and interim reporting periods within annual reporting periods beginning after December 15, 2019. The Corporation is currently evaluating the impact of the pending adoption of ASU 2014-09 on the consolidated financial statements.

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

(1) Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements (Continued)

In March 2017, FASB issued ASU 2017-07, *Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost.* ASU 2017-07 requires that an entity report the service cost component of net periodic pension and postretirement benefit cost in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The remaining components of net benefit costs are required to be presented in the statement of operations separately from the service component and outside a subtotal of income from operations, if one is presented. The amendment further allows only the service cost component of net periodic pension and postretirement costs to be eligible for capitalization. ASU 2017-07 is effective for private companies for annual periods beginning after December 15, 2018, and the interim periods within annual periods beginning after December 15, 2019, with early adoption permitted. ASU 2017-07 must be applied retrospectively for the presentation of the service cost component and the other components of net periodic pension cost and net periodic postretirement benefit cost in the statement of operations and comprehensive income, and prospectively, on and after the effective date, for the capitalization of the service cost component of net periodic pension cost and net periodic postretirement benefit cost in assets. The adoption of ASU 2017-07 could have a material impact on the consolidated financial statements. The Corporation is currently evaluating the impact of the adoption of ASU 2017-07 on its consolidated financial statements.

Sales Tax

Certain portions of the Corporation's sales are subject to sales tax imposed by jurisdictions. When required, the Corporation collects sales tax from customers and remits it to the applicable jurisdiction. The Corporation's accounting policy is to exclude the tax collected and remitted from revenues and cost of sales.

Income Taxes

Habersham EMC is exempt from federal and state income taxes under Section 501(c)(12) of the Internal Revenue Code which provides, in part, that the Corporation derive at least 85 percent of its annual gross income from members to retain the exemption. Accordingly, no provision for income taxes has been made in the consolidated financial statements.

EMC Connections, Inc. is a taxable corporation but had no taxable income in the years ended April 30, 2018 and 2017. Accordingly, no provision for income taxes has been made in the consolidated financial statements.

Comprehensive Income

The objective of comprehensive income is to report a measure of all changes in equity of the Corporation that result from transactions and other economic events of the period other than membership fees and patronage capital retirements. Other comprehensive income (OCI) consists of costs not yet recognized as a component of income related to the Corporation's postretirement healthcare plan.

Subsequent Events

In preparing these consolidated financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through August 22, 2018, the date the consolidated financial statements were available to be issued.

(2) Change in Accounting Principle

On August 31, 2017, the Corporation changed its accounting principle with respect to the recognition of unbilled revenue. The Corporation believes that the recognition of unbilled revenue more accurately reflects results of operations by better matching operating revenue and cost of power. The following financial statement line items were affected by the change in accounting principle:

	Prior to Change	After Change	Effect of Change
Consolidated Balance Sheet 2018			
Assets			
Unbilled Receivables	**$ -**	**$ 2,473,951**	**$ 2,473,951**
Members' Equity and Liabilities			
Patronage Capital	**$ 50,676,823**	**$ 50,815,774**	**$ 138,951**
Other Equities	**103,262**	**2,438,262**	**2,335,000**
	$ 50,780,085	**$ 53,254,036**	**$ 2,473,951**
Consolidated Statement of Operations and Comprehensive Income 2018			
Operating Revenues	**$ 66,371,393**	**$ 66,510,344**	**$ 138,951**
Net Margins	**$ 5,741,348**	**$ 5,880,299**	**$ 138,951**

	As Previously Reported	As Adjusted	Effect of Change
Consolidated Balance Sheet 2017			
Assets			
Unbilled Receivables	$ -	$ 2,335,000	$ 2,335,000
Members' Equity and Liabilities			
Other Equities	$ 139,936	$ 2,474,936	$ 2,335,000
Consolidated Statement of Operations and Comprehensive Income 2017			
Operating Revenues	$ 61,689,936	$ 61,664,936	$ (25,000)
Net Margins	$ 1,670,525	$ 1,645,525	$ (25,000)

The change in accounting principle also resulted in an increase of prior year beginning unbilled revenue and other equities of $2,360,000.

(3) Utility Plant

Listed below are the major classes of electric utility plant as of April 30:

		2018		2017
Distribution Plant	**$**	**124,923,560**	$	122,933,349
General Plant		**35,097,526**		34,471,764
Electric Plant in Service		**160,021,086**		157,405,113
Construction Work in Progress		**11,309,620**		1,889,606
	$	**171,330,706**	$	159,294,719

(4) Notes Receivable

Notes receivable consist of the following as of April 30:

	Interest Rate at April 30, 2018		2018		2017
How$mart Notes	0 to 5%	**$**	**1,709,389**	$	1,897,374
Other	0%		**429,582**		387,169
Provision for Uncollectible Notes			**(33,582)**		(31,857)
Current Portion of Notes Receivable			**(851,000)**		(438,000)
		$	**1,254,389**	$	1,814,686

The Corporation has notes receivable from members for energy efficiency loans made through the How$mart program. The program provides 3.95 and 5.00 percent loans for a maximum term of ten years and zero percent loans for a term of five years. The zero percent How$mart loans are funded by a revolving fund established by Oglethorpe Power Corporation. The Corporation has established a reserve for the loan losses resulting from the How$mart loans.

(5) Investments in Associated Organizations

Investments in associated organizations consist of the following as of April 30:

	2018	2017
CoBank		
Membership Fee	**$ 1,000**	$ 1,000
Capital Credits	**46,603**	38,186
Federated Rural Electric Insurance Exchange		
Capital Credits	**236,648**	220,569
Georgia Electric Membership Corporation		
Capital Surplus	**-**	22,934
Georgia EMC Directors' Association		
Membership Fee	**1,000**	1,000
Georgia Energy Cooperative (GEC)		
Membership Fee	**100**	100
Capital Credits	**30,136**	30,136
Contributed Capital	**4,910**	4,910
Georgia System Operations Corporation		
Capital Credits	**3,351**	3,351
Georgia Transmission Corporation (GTC)		
Contributed Capital	**703,736**	703,736
Capital Credits	**3,075,387**	2,875,358
Green Power EMC		
Capital Credits	**25**	25
GRESCO Utility Supply, Inc.		
Capital Credits	**646,622**	621,373
Oglethorpe Power Corporation (OPC)		
Capital Credits	**11,514,058**	10,827,170
National Rural Telecommunications Cooperative		
Capital Credits	**139**	139
National Rural Utilities Cooperative Finance Corporation (CFC)		
Membership Fee	**1,000**	1,000
Capital Term Certificates	**706,171**	718,500
Member Capital Securities	**325,000**	325,000
Capital Credits	**430,513**	405,010
North Georgia Network Cooperative, Inc.		
Capital Credits	**593,065**	535,306
Smarr EMC		
Contributed Capital	**58,977**	58,976
Capital Credits	**350,101**	350,101
Southeastern Data Cooperative, Inc.		
Membership Fee	**100**	100
Capital Credits	**243,866**	240,929
	$ 18,972,508	$ 17,984,909

(6) Prepayments

Prepayments consist of the following as of April 30:

		2018		2017
Prepaid Power Costs	**$**	**-**	$	2,071,419
Prepaid Retiree Benefits		**80,356**		119,276
Prepaid Insurance		**97,256**		79,196
Other		**93,634**		97,312
	$	**271,246**	$	2,367,203

(7) Debt

Long-term debt consists of mortgage notes payable to the United States of America acting through RUS, CFC and Federal Financing Bank (FFB). The notes are secured by a mortgage agreement among the Corporation, RUS, CFC and FFB. 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. The notes contain certain affirmative and negative covenants, including maintenance of certain financial ratios as defined in the agreement. At April 30, 2018 and 2017, the Corporation was in compliance with the covenants.

Long-term debt consists of the following as of April 30:

Holder of Note	**Weighted Average Interest Rate at April 30, 2018**		**2018**		2017
RUS	4.63%	**$**	**12,987,768**	$	13,376,518
FFB	3.66%		**44,561,478**		40,704,615
CFC	5.28%		**9,029,160**		10,044,388
How$mart Program	0%		**1,318,607**		1,318,607
			67,897,013		65,444,128
RUS Cushion-of-Credit			**(16,115,488)**		(13,372,280)
Maturities Due Within One Year			**(2,683,000)**		(2,609,000)
		$	**49,098,525**	$	49,462,848

(7) Debt (Continued)

Principal maturities of long-term debt are as follows:

Year	Amount
2019	$ 2,683,000
2020	2,768,000
2021	2,851,000
2022	2,937,000
2023	3,025,000
Thereafter	53,633,013

Cash payments of interest totaled $2,994,633 and $2,767,789 for the years ended April 30, 2018 and 2017, respectively.

The Corporation has $10,624,000 in unadvanced loan funds on commitment from FFB. The availability of the funds is contingent on the Corporation's compliance with one or more preconditions set forth in the mortgage agreements.

The Corporation has two separate lines-of-credit with CFC, $7,500,000 and $3,500,000. Of the $7,500,000 line-of-credit, the Corporation had an outstanding balance at April 30, 2018 of $2,857,063 at 3.25 percent. Of the $3,500,000 line-of-credit, the Corporation had an outstanding balance at April 30, 2018 of $2,742,937 at 2.85 percent. The Corporation had no outstanding balance on the CFC lines-of-credit as of April 30, 2017.

The Corporation also has a $5,000,000 line-of-credit at 4.0 percent with CoBank which had $4,664,500 and $3,050,000 outstanding balances as of April 30, 2018 and 2017, respectively.

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.

The Corporation has received $1,318,607 from Oglethorpe Power Corporation in loans to fund zero percent How$mart energy efficiency loans to its members. Upon termination of the How$mart program, the loan funds will be repaid to Oglethorpe Power Corporation.

(8) Deferred Debits

Deferred debits are comprised of the following as of April 30:

		2018		2017
Voluntary Prepaid Pension Contribution	**$**	**1,522,884**	$	1,827,461
Fiber Indefeasible Right of Use (IRU)		**1,270,446**		1,363,405
Storm Restoration - Hurricane Irma		**2,311,811**		-
Various Clearing Accounts		**43,750**		19,553
Other		**5,379**		671,723
	$	**5,154,270**	$	3,882,142

In 2013, the Corporation made a voluntarily prepaid contribution of $3,045,769 to the National Rural Electric Cooperative Association (NRECA) Retirement Security Plan (RS Plan). In accordance with the guidance provided by RUS to its borrowers, the Corporation is amortizing the prepayment over 10 years.

In 2012, the Corporation entered into an IRU Agreement with a third party with fair market value of $1,859,189. Under the terms of the IRU, the Corporation has exclusive, unrestricted and indefeasible right to use fiber in the Corporation's service territory for a period of 20 years. The IRU is being amortized on a straight-line basis over the life of the agreement.

(9) Deferred Credits

Deferred credits consist of the following as of April 30:

		2018		2017
Deferred Revenue - Regulatory Liability	**$**	**3,720,000**	$	3,720,000
Other		**483,258**		451,802
	$	**4,203,258**	$	4,171,802

The Corporation's revenue deferral represents revenues which have been deferred to offset future power cost increases. The Corporation's board of directors specified the deferred funds be deposited in a special fund until such time as a like amount is subsequently amortized into revenue. Accordingly, the funds have been set aside as a RUS cushion-of-credit on the consolidated balance sheets.

The revenue deferrals are in compliance with U.S. GAAP for regulated operations and have been approved by RUS.

		2018		2017
Beginning Balance	**$**	**3,720,000**	$	1,270,000
Revenue Deferred		**-**		3,070,000
Revenue Recognized		**-**		(620,000)
Ending Balance	**$**	**3,720,000**	$	3,720,000

(10) Nonoperating Margins

Nonoperating margins consist of the following for the years ended April 30:

		2018		2017
Interest	$	**820,536**	$	797,075
Income (Loss) from Subsidiary		**256,701**		(67,614)
Other		**(401,590)**		360,643
	$	**675,647**	$	1,090,104

(11) Retiree Benefits

Pension Plan (Defined Benefit)

Pension benefits for substantially all employees of the Corporation are provided through participation in the NRECA RS Plan, a defined benefit plan qualified under Section 401 and tax-exempt under 501(a) of the Internal Revenue Code. The plan sponsor's employer identification number is 53-0116145 and the plan number is 333.

A unique characteristic of a multiemployer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

The Corporation's annual contributions to the program represented less than 5 percent of total contributions made to the plan by all participating employers and are equal to the amounts recorded for pension cost. Contributions were $745,788 and $745,306 for the years ended April 30, 2018 and 2017, 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, 2018 and 2017 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.

Pension Plan (Defined Contribution Plan)

The Corporation also provides additional employee benefits to substantially all employees through the NRECA sponsored defined contribution Savings Plan (401-k). In this defined contribution plan, the Corporation's contributory portion of costs of this plan totaled $211,310 and $174,813 for the years ended April 30, 2018 and 2017, respectively.

(11) Retiree Benefits (Continued)

Deferred Compensation Plan

The Corporation has deposited funds, representing deferred compensation, on behalf of qualified employees who have elected to defer certain amounts of compensation. Deferred compensation and related funds set aside to fulfill the obligation are recorded as components of restricted funds and other current liabilities. The total deferral was $83,615 and $103,132 as of April 30, 2018 and 2017, respectively.

Postretirement Healthcare Benefits

The Corporation provides medical benefits and life insurance to qualified retirees and directors. U.S. GAAP requires cooperatives to recognize the estimated future cost of providing healthcare and any other postretirement benefits on an accrual basis.

The status of the Corporation's postretirement healthcare plan as of April 30 is detailed as follows:

	2018	2017
Changes in Accumulated Benefit Obligation		
Accumulated Benefit Obligation, Beginning of Year	**$ 5,105,800**	$ 4,729,700
Service Cost	**60,200**	90,600
Interest Cost	**188,300**	174,900
Changes in Actuarial Assumptions	**(365,153)**	344,361
Estimated Pay-As-You-Go	**(234,047)**	(233,761)
Accumulated Benefit Obligation, End of Year	**4,755,100**	5,105,800
Changes in Plan Assets		
Fair Value of Plan Assets, Beginning of Year	**-**	-
Benefits Paid	**(234,047)**	(233,761)
Employer Contributions	**234,047**	233,761
Plan Participant Contributions	**-**	-
Fair Value of Plan Assets, End of Year	**-**	-
Funded Status, End of Year	**$ 4,755,100**	$ 5,105,800

Amounts recognized on the consolidated balance sheets consist of:

	2018	2017
Noncurrent Liabilities	**$ 4,502,200**	$ 4,865,100
Current Liabilities	**252,900**	240,700
	$ 4,755,100	$ 5,105,800

(11) Retiree Benefits (Continued)

Postretirement Healthcare Benefits (Continued)

Amounts recognized in accumulated other comprehensive income consist of:

		2018		2017
Actuarial Loss	**$**	**(526,805)**	$	(1,330,858)
Prior Service Credit		**558,300**		1,245,700
	$	**31,495**	$	(85,158)

Components of net periodic postretirement benefit cost and other amounts recognized in OCI are as follows:

		2018		2017
Net Periodic Postretirement Benefit Cost				
Service Cost	**$**	**60,200**	$	90,600
Interest Cost		**188,300**		174,900
Amortization of Actuarial Loss		**438,900**		421,900
Amortization of Prior Service Credit		**(687,400)**		(687,400)
Net Periodic Postretirement Benefit Cost		**-**		-
Other Changes in Benefit Obligation Recognized in OCI				
Change in Actuarial Assumptions		**(365,153)**		344,361
Amortization of Actuarial Loss		**(438,900)**		(421,900)
Amortization of Prior Service Credit		**687,400**		687,400
Net Recognized in OCI		**(116,653)**		609,861
Total Recognized in Net Periodic Postretirement Benefit Cost and OCI	**$**	**(116,653)**	$	609,861

The following table shows key assumptions used for the measurement of obligations for the plan as of April 30:

Description	**2018**	2017	2016
Discount Rate for Next Year	**4.10%**	3.95%	4.50%
Healthcare Cost Trend Rate Assumed for Next Year	**N/A**	6.50%	7.00%
Ultimate Healthcare Cost Trend Rate	**N/A**	5.00%	5.00%
Year Rate Reaches Ultimate Trend Rate	**2020**	2020	2020

(11) Retiree Benefits (Continued)

Postretirement Healthcare Benefits (Continued)

The following benefits are expected to be paid:

Year	Amount
2019	$ 252,900
2020	256,100
2021	266,100
2022	279,600
2023	281,500
2024-2028	1,427,600

(12) 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 allocation of fixed costs through the term of these contracts, as well as any variable cost incurred. The Corporation is a member of 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 resources owned by OPC. The Corporation has multiple contracts with various expiration terms through 2050. Related fixed costs under these contracts were approximately $11,571,000 for the year ended April 30, 2018.

The Corporation has an agreement with GEC whereby GEC agrees to provide all power requirement needs and scheduling agent services. As part of the agreement, the Corporation has:

- Agreed to be jointly and severally liable for all GEC's obligations, including cost and expenses incurred under the supplier agreement.
- Provided a guaranty as part of GEC's Power Purchased and Scheduling Agent Services Agreement. The Corporation's obligation is limited to an amount not to exceed $6,287,500.
- Provided a guaranty of a line-of-credit. The Corporation's maximum exposure is $276,000.
- 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 Corporation has a transmission service agreement dated August 1, 1996 with GTC. The agreement was amended and extended through December 31, 2060. Under the terms of the amended agreement, GTC will own, operate and provide transmission services to the Corporation. The costs for these transmission services totaled approximately $3,518,000 for the year ended April 30, 2018 and are expected to remain constant through the foreseeable future.

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.

(13) Concentrations of Credit Risk

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of cash and cash equivalents and consumer accounts receivable. The Corporation maintains its cash balances in several financial institutions; cash balances throughout the year periodically exceed federally insured deposit limits of $250,000. As of April 30, 2018, the Corporation had no deposits in excess of federal deposit insurance coverage.

The Corporation serves consumers in the state of Georgia. The geographic concentration of the Corporation's consumers 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.

(14) Reclassification

Certain prior year amounts have been reclassified for consistency with the current period presentation. The reclassification had no effect on the reported net margins or comprehensive income.

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August 22, 2018

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION**

The Board of Directors
Habersham Electric Membership Corporation

We have audited the consolidated financial statements of **Habersham Electric Membership Corporation and Subsidiary** as of and for the years ended April 30, 2018 and 2017 and our report thereon dated August 22, 2018, which expressed an unmodified opinion on the consolidated financial statements, appears on page 1. Those audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The supplementary information on pages 25 through 28, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 basic consolidated financial statements as a whole.

McNair, McLemore, Middlebrooks & Co., LLC
McNAIR, McLEMORE, MIDDLEBROOKS & CO., LLC

HABERSHAM ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET
APRIL 30, 2018

	Habersham EMC	EMC Connections, Inc.	Totals	Elimination Entries	Consolidated Balances
ASSETS					
Utility Plant					
Electric Plant in Service	$ 160,021,086	$ -	$ 160,021,086	$ -	$ 160,021,086
Construction Work in Progress	11,309,620	-	11,309,620	-	11,309,620
	171,330,706	-	171,330,706	-	171,330,706
Accumulated Provision for Depreciation	(71,560,915)	-	(71,560,915)	-	(71,560,915)
	99,769,791	-	99,769,791	-	99,769,791
Other Property and Investments					
Nonutility Plant (Net)	-	99,710	99,710	-	99,710
Investments in Associated Organizations	18,972,508	-	18,972,508	-	18,972,508
Notes Receivable (Net)	1,254,389	-	1,254,389		1,254,389
Restricted Funds	83,615	-	83,615	-	83,615
Investment in Subsidiary	(54,501)	-	(54,501)	54,501	-
Other	10,000	-	10,000	-	10,000
	20,266,011	99,710	20,365,721	54,501	20,420,222
Current Assets					
Cash and Cash Equivalents	721,812	67,751	789,563	-	789,563
Accounts Receivable (Net)	3,070,428	157,826	3,228,254	(399,800)	2,828,454
Unbilled Receivables	2,473,951	-	2,473,951	-	2,473,951
Current Portion of Notes Receivable	851,000	-	851,000	-	851,000
Materials and Supplies	1,335,482	-	1,335,482	-	1,335,482
Prepayments	270,706	540	271,246	-	271,246
	8,723,379	226,117	8,949,496	(399,800)	8,549,696
Deferred Debits	5,154,270	-	5,154,270	-	5,154,270
Total Assets	$ 133,913,451	$ 325,827	$ 134,239,278	$ (345,299)	$ 133,893,979
MEMBERS' EQUITY AND LIABILITIES					
Members' Equity					
Membership Fees	$ 936,105	$ -	$ 936,105	$ -	$ 936,105
Patronage Capital	50,815,774	-	50,815,774	-	50,815,774
Donated Capital	32,241	-	32,241	-	32,241
Accumulated Other Comprehensive Income	31,495	-	31,495	-	31,495
Other Equities	2,438,262	-	2,438,262	-	2,438,262
Common Stock/Paid-In Capital	-	349,746	349,746	(349,746)	-
Retained Earnings - EMC Connections, Inc.	-	(404,247)	(404,247)	404,247	-
	54,253,877	(54,501)	54,199,376	54,501	54,253,877
Long-Term Debt	49,098,525	-	49,098,525	-	49,098,525
Postretirement Healthcare Benefits - Noncurrent	4,502,200	-	4,502,200	-	4,502,200
Current Liabilities					
Long-Term Debt - Current	2,683,000	-	2,683,000	-	2,683,000
Postretirement Healthcare Benefits - Current	252,900	-	252,900	-	252,900
Accounts Payable	5,146,712	379,650	5,526,362	(399,800)	5,126,562
Lines-of-Credit	10,264,500	-	10,264,500	-	10,264,500
Consumer Deposits	1,078,445	-	1,078,445	-	1,078,445
Accrued and Withheld Taxes	572,650	678	573,328	-	573,328
Other	1,857,384	-	1,857,384	-	1,857,384
	21,855,591	380,328	22,235,919	(399,800)	21,836,119
Deferred Credits	4,203,258	-	4,203,258	-	4,203,258
Total Members' Equity and Liabilities	$ 133,913,451	$ 325,827	$ 134,239,278	$ (345,299)	$ 133,893,979

HABERSHAM ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARY
CONSOLIDATING STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
FOR THE YEAR ENDED APRIL 30, 2018

	Habersham EMC	EMC Connections, Inc.	Totals	Elimination Entries	Consolidated Balances
Operating Revenues and Patronage Capital	$ 66,510,344	$ 256,701	$ 66,767,045	$ (256,701)	$ 66,510,344
Operating Expenses					
Cost of Power	40,881,236	-	40,881,236	-	40,881,236
Distribution Operations	2,654,730	-	2,654,730	-	2,654,730
Distribution Maintenance	4,568,438	-	4,568,438	-	4,568,438
Consumer Service and Information	498,097	-	498,097	-	498,097
Consumer Accounts	1,408,731	-	1,408,731	-	1,408,731
Administrative and General	3,989,406	-	3,989,406	-	3,989,406
Depreciation and Amortization	5,457,398	-	5,457,398	-	5,457,398
	59,458,036	-	59,458,036	-	59,458,036
Operating Margins Before Interest Expense	7,052,308	256,701	7,309,009	(256,701)	7,052,308
Interest Expense	2,989,843	-	2,989,843	-	2,989,843
Operating Margins After Interest Expense	4,062,465	256,701	4,319,166	(256,701)	4,062,465
Nonoperating Margins	675,647	-	675,647	-	675,647
Generation and Transmission Cooperative Capital Credits	886,917	-	886,917	-	886,917
Other Capital Credits and Patronage Capital Allocations	255,270	-	255,270	-	255,270
Net Margins	5,880,299	256,701	6,137,000	(256,701)	5,880,299
Other Comprehensive Income - Postretirement Healthcare Benefits	116,653	-	116,653	-	116,653
Comprehensive Income	$ 5,996,952	$ 256,701	$ 6,253,653	$ (256,701)	$ 5,996,952

HABERSHAM ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET
APRIL 30, 2017

	Habersham EMC	EMC Connections, Inc.	Totals	Elimination Entries	Consolidated Balances
ASSETS					
Utility Plant					
Electric Plant in Service	$ 157,405,113	$ -	$ 157,405,113	$ -	$ 157,405,113
Construction Work in Progress	1,889,606	-	1,889,606	-	1,889,606
	159,294,719	-	159,294,719	-	159,294,719
Accumulated Provision for Depreciation	(72,053,258)	-	(72,053,258)	-	(72,053,258)
	87,241,461	-	87,241,461	-	87,241,461
Other Property and Investments					
Nonutility Plant (Net)	-	160,716	160,716	-	160,716
Investments in Associated Organizations	17,984,909	-	17,984,909	-	17,984,909
Notes Receivable (Net)	1,868,301	-	1,868,301	(53,615)	1,814,686
Restricted Funds	103,132	-	103,132	-	103,132
Investment in Subsidiary	(311,202)	-	(311,202)	311,202	-
Other	10,572	-	10,572	-	10,572
	19,655,712	160,716	19,816,428	257,587	20,074,015
Current Assets					
Cash and Cash Equivalents	371,685	5,869	377,554	-	377,554
Accounts Receivable (Net)	3,451,235	6,200	3,457,435	(437,862)	3,019,573
Unbilled Receivables	2,335,000	-	2,335,000	-	2,335,000
Current Portion of Notes Receivable	438,000	-	438,000	-	438,000
Materials and Supplies	1,361,363	37,120	1,398,483	-	1,398,483
Prepayments	2,368,144	(941)	2,367,203	-	2,367,203
	10,325,427	48,248	10,373,675	(437,862)	9,935,813
Deferred Debits	3,882,142	-	3,882,142	-	3,882,142
Total Assets	$ 121,104,742	$ 208,964	$ 121,313,706	$ (180,275)	$ 121,133,431
MEMBERS' EQUITY AND LIABILITIES					
Members' Equity					
Membership Fees	$ 923,590	$ -	$ 923,590	$ -	$ 923,590
Patronage Capital	46,249,928	-	46,249,928	-	46,249,928
Donated Capital	30,158	-	30,158	-	30,158
Accumulated Other Comprehensive Income	(85,158)	-	(85,158)	-	(85,158)
Other Equities	2,474,936	-	2,474,936		2,474,936
Common Stock/Paid-In Capital	-	349,746	349,746	(349,746)	-
Retained Earnings - EMC Connections, Inc.	-	(660,948)	(660,948)	660,948	-
	49,593,454	(311,202)	49,282,252	311,202	49,593,454
Long-Term Debt	49,462,848	53,615	49,516,463	(53,615)	49,462,848
Postretirement Healthcare Benefits - Noncurrent	4,865,100	-	4,865,100	-	4,865,100
Current Liabilities					
Long-Term Debt - Current	2,609,000	-	2,609,000	-	2,609,000
Postretirement Healthcare Benefits - Current	240,700	-	240,700	-	240,700
Accounts Payable	3,692,550	466,099	4,158,649	(437,862)	3,720,787
Lines-of-Credit	3,050,000		3,050,000		3,050,000
Consumer Deposits	1,044,532	-	1,044,532	-	1,044,532
Accrued and Withheld Taxes	533,983	452	534,435	-	534,435
Other	1,840,773	-	1,840,773	-	1,840,773
	13,011,538	466,551	13,478,089	(437,862)	13,040,227
Deferred Credits	4,171,802	-	4,171,802	-	4,171,802
Total Members' Equity and Liabilities	$ 121,104,742	$ 208,964	$ 121,313,706	$ (180,275)	$ 121,133,431

HABERSHAM ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARY
CONSOLIDATING STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
FOR THE YEAR ENDED APRIL 30, 2017

	Habersham EMC	EMC Connections, Inc.	Totals	Elimination Entries	Consolidated Balances
Operating Revenues and Patronage Capital	$ 61,664,936	$ (67,614)	$ 61,597,322	$ 67,614	$ 61,664,936
Operating Expenses					
Cost of Power	41,612,009	-	41,612,009	-	41,612,009
Distribution Operations	2,619,044	-	2,619,044	-	2,619,044
Distribution Maintenance	3,859,118	-	3,859,118	-	3,859,118
Consumer Service and Information	544,941	-	544,941	-	544,941
Consumer Accounts	1,673,511	-	1,673,511	-	1,673,511
Administrative and General	3,912,099	-	3,912,099	-	3,912,099
Depreciation	5,307,487	-	5,307,487	-	5,307,487
	59,528,209	-	59,528,209	-	59,528,209
Operating Margins Before Interest Expense	2,136,727	(67,614)	2,069,113	67,614	2,136,727
Interest Expense	2,765,784	-	2,765,784	-	2,765,784
Operating Margins After Interest Expense	(629,057)	(67,614)	(696,671)	67,614	(629,057)
Nonoperating Margins	1,090,104	-	1,090,104	-	1,090,104
Generation and Transmission Cooperative Capital Credits	854,712	-	854,712	-	854,712
Other Capital Credits and Patronage Capital Allocations	329,766	-	329,766	-	329,766
Net Margins	1,645,525	(67,614)	1,577,911	67,614	1,645,525
Other Comprehensive Income - Postretirement Healthcare Benefits	(609,861)	-	(609,861)	-	(609,861)
Comprehensive Income	$ 1,035,664	$ (67,614)	$ 968,050	$ 67,614	$ 1,035,664

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August 22, 2018

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
Habersham Electric Membership Corporation

We have audited, in accordance with the 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, the consolidated financial statements of **Habersham Electric Membership Corporation and Subsidiary** (the Corporation), which comprise the consolidated balance sheet as of April 30, 2018 and the related consolidated statements of operations and comprehensive income, changes in members' equity and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated August 22, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Corporation's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by the board of directors.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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August 22, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Directors
Habersham Electric Membership Corporation

Report on Compliance for Each Major Federal Program

We have audited **Habersham Electric Membership Corporation's** (the Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended April 30, 2018. The Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, the Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended April 30, 2018.

Report on Internal Control over Compliance

Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

McNair, McLemore, Middlebrooks & Co., LLC

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HABERSHAM ELECTRIC MEMBERSHIP CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED APRIL 30, 2018

Federal Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Homeland Security			
Disaster Grants - Public Assistance			
(Presidentially Declared Disasters)			
Pass-through Program From:			
Georgia Emergency			
Management Division	97.036	000-UD2VV-00	$ 2,516,131

HABERSHAM ELECTRIC MEMBERSHIP CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED APRIL 30, 2018

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Habersham Electric Membership Corporation (the Corporation) for the year ended April 30, 2018. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Corporation, it is not intended to and does not present the financial position, changes in equities or cash flows of the Corporation.

(2) Federal Award

On September 16, 2017, President Donald J. Trump issued a major disaster declaration designated FEMA-4284-DR-GA for the state of Georgia as a result of Hurricane Irma. All Georgia counties qualified for public assistance under the major disaster declaration and subsequent amendments.

(3) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited for reimbursement.

(4) Schedule Amounts Expended in Prior Years

Disaster Grants - Public Assistance expenditures totaling $2,516,131 were included on the Schedule for the year ended April 30, 2018.

(5) Indirect Cost Rate

The Corporation has elected not to use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

HABERSHAM ELECTRIC MEMBERSHIP CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
APRIL 30, 2018

(A) Summary of Audit Results

(1) The Independent Auditor's Report expresses an unmodified opinion on whether the consolidated financial statements of Habersham Electric Membership Corporation and Subsidiary (the Corporation) were prepared in accordance with accounting principles generally accepted in the United States of America.

(2) There were no significant deficiencies or material weaknesses disclosed during the audit of the consolidated financial statements.

(3) No instances of noncompliance material to the consolidated financial statements of the Corporation, which would be reported in accordance with *Governmental Auditing Standards*, were disclosed during the audit.

(4) There were no significant deficiencies or material weaknesses in internal controls over major federal award programs disclosed during the audit of the major federal award program.

(5) The Independent Auditor's Report on Compliance for the major federal award program of the Corporation expresses an unmodified opinion for the major program.

(6) There were no audit findings, required to be reported in accordance with 2 CFR section 200.516(a).

(7) The program tested as major program: CFDA No. 97.036, Disaster Grants - Public Assistance (Presidentially Declared Disasters).

(8) The threshold for distinguishing whether the program was Type A or B was $750,000.

(9) The Corporation did not qualify as a low-risk auditee.

(B) Findings - Audit of Financial Statements

- There were no findings related to the audit of the consolidated financial statements.

(C) Findings and Questioned Costs - Major Federal Award Program Audit

- There were no findings or questioned costs related to the major federal awards program.

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August 22, 2018

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH ASPECTS OF CONTRACTUAL AGREEMENTS
AND REGULATORY REQUIREMENTS FOR ELECTRIC BORROWERS**

The Board of Directors
Habersham Electric Membership Corporation

We have audited, 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, the consolidated financial statements of **Habersham Electric Membership Corporation and Subsidiary** (the Corporation), which comprise the consolidated balance sheet as of April 30, 2018 and the related consolidated statements of operations and comprehensive income, changes in members' equity and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated August 22, 2018. In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2018 on our consideration of the 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. No reports other than the reports referred to above have been furnished to management.

In connection with our audit, nothing came to our attention that caused us to believe that the Corporation failed to comply with the terms, covenants, provisions, or conditions of their loan, grant, and security instruments as set forth in 7 CFR Part 1773, *Policy on Audits of Rural Utilities Service Borrowers,* §1773.33 and clarified in the RUS policy memorandum dated February 7, 2014, insofar as they relate to accounting matters as enumerated below. However, our audit was not directed primarily toward obtaining knowledge of noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Corporation's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the contractual agreements and regulatory requirements, insofar as they relate to accounting matters. In connection with our audit, we noted no matters regarding the Corporation's accounting and records to indicate that the Corporation did not:

- Maintain adequate and effective accounting procedures;
- Utilize adequate and fair methods for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance or other expense accounts;
- Reconcile continuing property records to the controlling general ledger plant accounts;
- Clear construction accounts and accrue depreciation on completed construction;

- Record and properly price the retirement of plant;

- Seek approval of the sale, lease or transfer of capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap;

- Maintain adequate control over materials and supplies;

- Prepare accurate and timely Financial and Operating Reports;

- Obtain written RUS approval to enter into any contract for the management, operation or maintenance of the borrower's system if the contract covers all or substantially all of the electric system;

- Disclose material related party transactions in the consolidated financial statements, in accordance with requirements for related parties in generally accepted accounting principles;

- Record depreciation in accordance with RUS requirements (See RUS Bulletin 183-1, Depreciation Rates and Procedures), except for automated metering equipment which is being depreciated in compliance with guidance provided in 7 CFR Part 1767;

- Comply with the requirements for the detailed schedule of deferred debits and deferred credits which is included in the notes to the consolidated financial statements; and

- Comply with the requirements for the detailed schedule of investments which consists of investments in associated organizations and is disclosed in the notes to the consolidated financial statements. A detailed schedule of other investments is included as Exhibit A.

This report is intended solely for the information and use of the board of directors, management, RUS and supplemental lenders and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

McNair, McLemore, Middlebrooks & Co., LLC

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EXHIBIT A

HABERSHAM ELECTRIC MEMBERSHIP CORPORATION
SCHEDULE OF INVESTMENTS
APRIL 30, 2018

OTHER INVESTMENTS

Name	Type of Organization	Principal Business	Ownership	Investment	Total Return on Investment for the Year	Total Return Life of Investment
EMC Connections, Inc.	Corporation	Services	100%	$349,746	$256,701	$(404,247)

EMC Connections, Inc. is a wholly-owned subsidiary of the Corporation and is accounted for on a consolidated basis.

Auditor's Responsibility Under Generally Accepted Auditing Standards and *Government Auditing Standards* and the Uniform Guidance

As stated in our engagement letter, the auditor is responsible for forming and expressing an opinion about whether the consolidated financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles in the United States of America (U.S. GAAP). The audit of the consolidated financial statements does not relieve management or those charged with governance of their responsibilities.

Planned Scope and Timing of the Audit

The audit was performed according to the planned scope and timing previously communicated to you in our engagement letter.

Significant Accounting Policies

Management is responsible for the selection of appropriate accounting policies. The significant accounting policies used by Habersham Electric Membership Corporation and Subsidiary (the Corporation) are outlined in Note 1 to the consolidated financial statements.

As discussed in Note 2 to the consolidated financial statements, management has elected to change its policy for accruing unbilled revenue.

We noted no transaction entered into by the Corporation during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the consolidated financial statements in a period other than when the transaction occurred.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the consolidated financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting the estimates may differ significantly from those expected. The most sensitive estimates affecting the consolidated financial statements were:

- Allocations for construction work in progress
- Useful lives of utility plant
- Reserve for uncollectible accounts
- Expense accruals
- Actuarial assumptions used for employee benefit plans

We evaluated the key factors and assumptions used to develop management's estimates in determining that they are reasonable in relation to the consolidated financial statements as a whole.

Significant Audit Adjustments and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no audit adjustments for the year ended April 30, 2018. In addition, there were no significant uncorrected misstatements, material or immaterial.

Disagreements with Management

Professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the consolidated financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 22, 2018.

Consultation with Other Accountants

To our knowledge, management did not consult with other accountants relating to auditing or accounting matters.

Major Issues Discussed with Management Prior to Retention

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Corporation's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

There were no difficulties encountered in dealing with management related to the performance of the audit.

Other Matters

With respect to the consolidating statements and the schedule of expenditures of federal awards accompanying the consolidated financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with U.S. GAAP, the method of preparing it has not changed from the prior period and the information is appropriate and complete in relation to our audit of the consolidated financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the consolidated financial statements or to the consolidated financial statements themselves.

This information is intended solely for the information and use of the board of directors and management and is not intended to be used by anyone other than these specified parties.