Annual Report for 2009

(On the cover, L-R) GreyStone Apprentice Lineman Julio Villegas, Tamukati Ndongala of Carrollton, Rachel Kelly of Douglasville, and Rachel's children, Aiden and Adelaide, highlight the fact that GreyStone Power is working with members to save money and energy.

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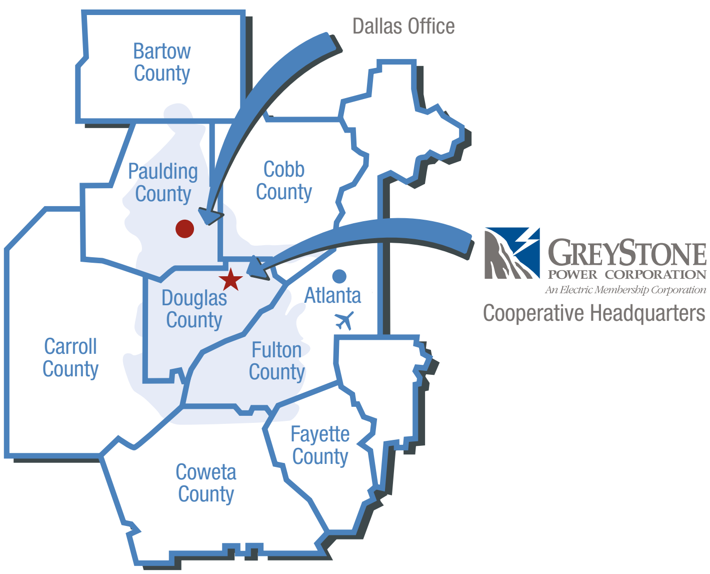
GREYSTONE POWER CORPORATION
An Electric Membership Corporation
Your Touchstone Energy® Cooperative

TOGETHERWESAVE

TOGETHE

GreyStone Power was founded in 1936 on the concept that by working together, we all could save money and have a much-needed service: electricity. As a cooperative owned by the people it serves, GreyStone Power has grown from providing reliable, affordable electricity to offering ancillary services through Gas South, GEMC Federal Credit Union and EMC Security. From solutions for keeping costs down to helping with energy efficiency, today the co-op is finding new ways to save energy and money by working together inside GreyStone Power and outside with the people we serve.



Our Service Area

GreyStone Power is a member-owned, not-for-profit electric cooperative, serving portions of eight west metro Atlanta counties. We provide electricity to more than 101,000 homes, businesses, schools and industries.

At a Glance

Statistics at the end of each year.

	Number of Meters	Operating Revenue	Miles of Line	Kilowatt Hours Sold
1969	17,925	$2,162,870	2,229.00	139,454,102
1979	32,949	$17,382,748	2,432.61	421,324,408
1989	49,871	$49,085,891	3,224.32	724,098,168
1999	72,065	$99,323,517	4,249.05	1,355,911,195
2009	114,669	$246,041,288	6,508.36	2,607,428,661

Message to Members

As our area strives to recover from a tough economy, GreyStone Power is focusing on what has worked best for members of this cooperative since day one in 1936: Working together to save. In our case, that means saving money and saving energy, while providing more than just electric service.

Helping the people we serve save money begins with controlling our own costs and keeping electric service bills some of the most affordable in the state and nation. Inside the co-op, we put a hiring freeze into effect in 2009. Retiring employees were not replaced, and existing employees took on additional responsibilities.


New technology helps control operating costs, while helping me provide great service to members.
Radienne Andrews
Member Service Representative III/Walk In

Whether we're working together to save lives through teaching electrical safety (L), improving lives through job shadowing (center) or supporting charities like Relay For Life, we genuinely care about the people we serve.

Even though we added 1,040 new services last year, the number was down from a high of 6,200 around 2007. Our maximum demand for electricity was also down to 651 megawatts from a high in 2007 of 891 megawatts. Energy sales were down; yet the electricity delivery system needed to deliver power still had to be maintained.

We increased efficiency by setting up rate values for construction, maintenance, service-related tasks and right-of-way clearing. Rather than using only on-call crews in the evenings and early morning hours, we now have regularly scheduled crews, to be complemented as needed by on-call crews.

We energized new substations in the Cliftondale and Annewakee areas and made improvements to our existing substations.

During outages, we now restore power to at least sections of circuits if we're not able to repair the entire circuit. This enables us to restore power to unaffected areas served by those circuits even faster.

We offer more online services at *www.greystonepower.com*. In addition to paying their bills online, members may now submit more than 35 online forms related to their electric service. This makes service more convenient, while keeping staff costs more manageable.

Helping our members manage their energy use wisely through energy efficiency education became an even higher priority in 2009. Here at GreyStone Power, we've been practicing what we preach by running thermal imaging studies on our own heating and cooling systems. This year, we're making energy-efficient upgrades to save money and energy.

We've replaced inefficient lighting with energy-efficient bulbs and installed occupancy sensors so lights turn off automatically in unoccupied rooms. We've adjusted our thermostats, as well. Our goal is to decrease overall energy consumption by 5 percent in 2010.

Wise energy use for the future has also been on our minds as part of the "Our Energy, Our Future" campaign to let Congress know that we need affordable, reliable energy solutions for years to come. By the end of 2009, more than 2,700 members had sent almost 13,500 messages as a result of GreyStone's efforts.

Through Green Power Electric Membership Corporation (GPEMC), a partnership of 38 electric cooperatives in Georgia, we're generating more electricity from renewable energy sources. Funded in part by participating GreyStone Power members, Green Power EMC harnesses power from landfill gases, hydroelectric sources and wood waste-to-energy operations in Rabun Gap, Ga. and Fort Gaines, Ga. Solar projects at schools help students learn about renewable energy.

Our successful Green Power EMC was one of the first of its kind in the nation to offer electricity generated from

13,500+
messages sent to Congress

Added
1,040
new services

35+ online forms
available for members

TOGETHER

More than
$44 million
in capital credits issued

Partners with
37 other co-ops
for Green Power EMC

Green Power EMC generated
181 million kWh

"green" sources. To date, Green Power EMC has generated about 181 million kilowatt-hours of electricity, helping delay the need to build additional generation facilities by using renewable energy sources.

Other clean energy efforts include $1.2 billion invested in new emission control additions by our wholesale electricity supplier, Oglethorpe Power Corp. The controls will significantly reduce known pollutants.

The "Together We Save" website and "You Have the Power to Save" communication materials helped members use energy more wisely in 2009, saving money and helping ensure we have the energy we need for the future. The immediate savings on bills are evident. And when demand for power is reduced during "peak" periods, when many members need electricity simultaneously, fewer power plants need to be brought online, and electric service bills become more manageable.

The new Sun Rays Power program launched last year helps by providing as much as 70 to 80 percent of a member's annual hot water needs at a fraction of the cost of heating water with gas or electricity. Both state and federal tax credits help offset the cost. GreyStone Power offers a $500 rebate to those participating.

New technology helps us monitor the electric distribution system, as well. In 2007, we began the task of replacing approximately 116,000 meters with technologically advanced meters. "Smart" meters reveal patterns of electricity use and enable us to expand our services by offering prepaid electric service to members. Prepaid service will end the need for deposits for those participating.

Reliability and cost-savings were considerations in our decision to add these meters. The information they provide will eventually help decrease our response time during outages. They also allow us to read meters remotely, saving labor and expense.

New technologies have also enabled us to add:

- About 200 remotely controlled devices to our power delivery system that will allow us to reroute power, as needed;
- An innovative customer care and billing system that will improve recordkeeping and reduce response time to members (operational in 2011);
- A new e-mail tracking system that enables us to better manage e-mail member requests by tracking who opened the e-mail, when it was answered and by whom;
- An improved interactive voice response system for callers; and
- Improvements to the online bill payment system, as well as over-the-phone and E-check options.

GreyStone Power also offers additional services that save members money. Take the Co-op Connections Card program, for example. GreyStone members have saved more than $600,000 since the program began in October 2007. About 300 local businesses now offer discounts.

In May 2010, GreyStone Power received national recognition for communication and marketing work done in 2009. This includes Awards of Excellence for Best Advertising Program, Best Individual Ad, Best External Newsletter, Best Wild Card for the Linemen's Calendar; an Award of Merit for Best Feature Story; and Awards of Mention for Best Annual Report to Members, Best Individual Ad and Best Newsletter Incorporated as a Part of Another Publication.

TOGETHE

116,000
meters being replaced with AMIs

$500 rebate
offered for Sun Rays participants

From time to time, members tell us they want our help in other areas of their lives besides electricity. Those requests have resulted in excellent partnerships that benefit our members. They include:

EMC Security, a security and alarm monitoring service, provides affordable security system monitoring and installation for homes and businesses. Owned by GreyStone Power and nearby cooperatives Jackson Electric Membership Corporation and Walton Electric Membership Corporation, the service monitors more than 30,000 homes and businesses, employs 55 people, and operates without any debt.

EMC Security has kept its monitoring rate stable for 11 years and reduced the price for GreyStone Power members from $17.95 to the current $16.95 per month.

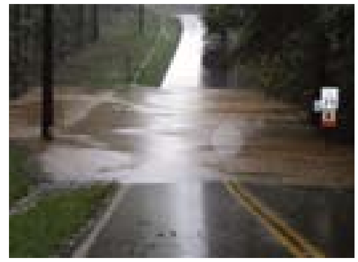
GEMC Federal Credit Union (GEMC FCU), located in GreyStone's two offices in Douglasville and Dallas, is a full-service credit union that has served members since 1996. Available to anyone receiving electric power from GreyStone and their families, GEMC FCU provides a wide array of financial services, including high-interest dividends and low-interest loans and mortgages. The credit union's online bill pay system enables members to pay their bills online for free.

Gas South, a Georgia-based natural gas marketer, now serves more than 250,000 homes and businesses across the state. Through a strategic marketing alliance, Gas South delivers value for GreyStone members in the form of a two-cent per therm discount off of their standard rates plans for as long as members remain customers.

In May 2009, (L-R) Patrick LeCroy, Josh Jones and Tim Costner won first place as overall winners of the Georgia Lineman's Rodeo. They also took home five other awards as a team. Jones won fastest time for the Hurt Man Rescue by rescuing a "mannequin lineman" from the top of a utility pole in 52.34 seconds. Linemen John Atcheson, Tony Brown, Matt Williams and Taylor Shadrix – all coached by Derek Carruth – also placed in the competition.


Working with GreyStone Power as we rebuilt our flooded home saved us a lot of worry.
Charles and Lula "Marvine" McMillan, Powder Springs

The severity of the floods in Douglas, Paulding and Cobb counties last September was shocking. Water actually reached rooftops. Many members and employees suffered flood damage to their homes and vehicles. GreyStone donated funds to help members and schools recover.



Together We Serve ...

Three days of rain brought monumental floods to metro Atlanta in September 2009, with Douglas, Paulding and Cobb counties some of the hardest-hit areas. The storm washed away homes, roads and vehicles and left almost 37,700 GreyStone members without electricity.

Linemen worked around the clock in 16-hour rotations, and contracted 11 crews to restore power more quickly. Crews drove boats into flooded areas in order to make needed repairs. The words “together we save” took on a new dimension as two of our linemen rescued a stranded young man who was fleeing the rising water on the top of his pickup truck. One of GreyStone’s directors waded through chest-deep water to save a neighbor in the home pictured above.

Initial estimates showed the co-op experienced more than $537,615 in damages to the electricity delivery system. The Federal Emergency Management Agency reimbursed GreyStone for many of the expenses, so those costs did not have to be passed along to members through higher rates.

GreyStone Power was able to assist the community with repair costs as a part of flood relief efforts. The Board of Directors voted to provide the following:

- $75,000 to Paulding County United Way
- $75,000 to Douglas County United Way
- $100,000 to Center for Family Resources in Cobb County
- $25,000 to Paulding County School System
- $25,000 to Douglas County School System
- $25,000 to Cobb County School System
- $25,000 to Fulton County School System
- $5,000 to Clarkdale Elementary School
- $5,000 to P.B. Ritch Elementary School
- $5,000 to Beulah Elementary School

GreyStone Power provides ongoing financial and volunteer support as a member of the Partners in Education programs in Paulding, Douglas and Cobb counties.

Our commitment to education extends to GreyStone Power’s support of the Electric Cooperative Youth Tour to Washington, D.C., as well as scholarships. In 2009, six students represented the cooperative on the Youth Tour. The experience allowed the high school juniors to join 1,400 others representing co-ops across the U.S. in the nation’s capital for a week in June. Students met with elected representatives, visited historic sites, networked with other young people and learned about the electric cooperative program. In 2009, GreyStone Power Foundation, Inc. provided five $3,000 scholarships and two $2,500 scholarships to help local young people bring their college and technical school dreams to life.

Provided
$365,000
for flood relief

Linemen worked in
16-hour rotations
during September flooding


GreyStone has provided money to our schools that as a principal, I know has made a huge difference.
Mary Woodfin
Villa Rica

Working with members who support the GreyStone Power Foundation, Inc., the co-op supports our communities' future leaders through scholarships and leadership opportunities, such as the Electric Cooperative Youth Tour to Washington, D.C. In 2009, the Foundation awarded two students each with a $2,500 Tim B. Clower Scholarship, while five local students received $3,000 scholarships to further their educations. GreyStone Power also sponsored six students on the Youth Tour.

Funding for the Foundation comes from GreyStone members who agree to round up their electric bills each month to the next dollar to provide monetary assistance for needy individuals and organizations.

Voluntarily contributed by more than 28,000 GreyStone members, donations have a tremendous positive impact in the area. It's a great example of what happens when members work together.

One of the most powerful ways your cooperative can save money for members is by working to retain and recruit new businesses. In 2009, GreyStone Power welcomed the following new members to the system:

- City of Douglasville Police and Municipal Court Facility;
- New Manchester High School in Douglas County;
- Douglas County 911 Center;
- The JM Smuckers Distribution Facility; and
- Hal Hutchens Elementary School in Paulding County.

Annually, a portion of the investment our members make in the cooperative is returned to them. These monies – called capital credits – which would be considered as profit in a for-profit business, were returned to members who had paid GreyStone for electric power in the years 1989, 1990 and 2008. More than $3 million went to these members in 2009, bringing the total returned over the years to approximately $44 million.

Together We Save … three little words that mirror a philosophy that has stood the test of time. In 2011, GreyStone Power will celebrate 75 years of members working and saving together. As members and owners of this not-for-profit electric cooperative, we're all reaping the benefits by working together toward common goals. Members have come to expect competitive rates, great products and reliable service from GreyStone Power, and our priority is to continue that same level of service.

We would not be who we are today without the members we serve. We are pleased to be a part of the tradition that is GreyStone Power. Thank you for allowing us to serve you. We treasure your faith in us and in the cooperative way of business. Together, we will continue to save.

Calvin Earwood,
Chairman of the Board

Gary Miller,
President/CEO

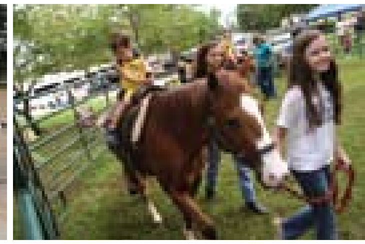
28,000+
members contributed to scholarships

$20,000
in scholarships provided

300 local businesses
accept Co-op Connections Cards

Members saved
$600,000+
with Co-op Connections Cards

More than 3,000 people attended GreyStone Power's 2009 Annual Membership Meeting.



Co-op Calculations

Average Monthly Residential Consumption

12 months | 730 hours per month | Average monthly residential consumption in 2009

1,200 kilowatt hours (kWh) per month

Average Monthly Residential Bill

365 days | 12 months | Average monthly residential bill in 2009

$115 per month

Where your money goes

68.52% Power Cost

9.02% Interest & Depreciation

6.29% Distribution

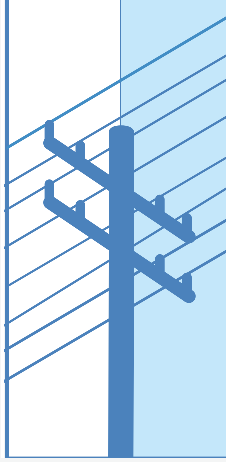
4.29% Member Accounts & Services

Patronage Capital 7.04%

Administrative & General 4.84%

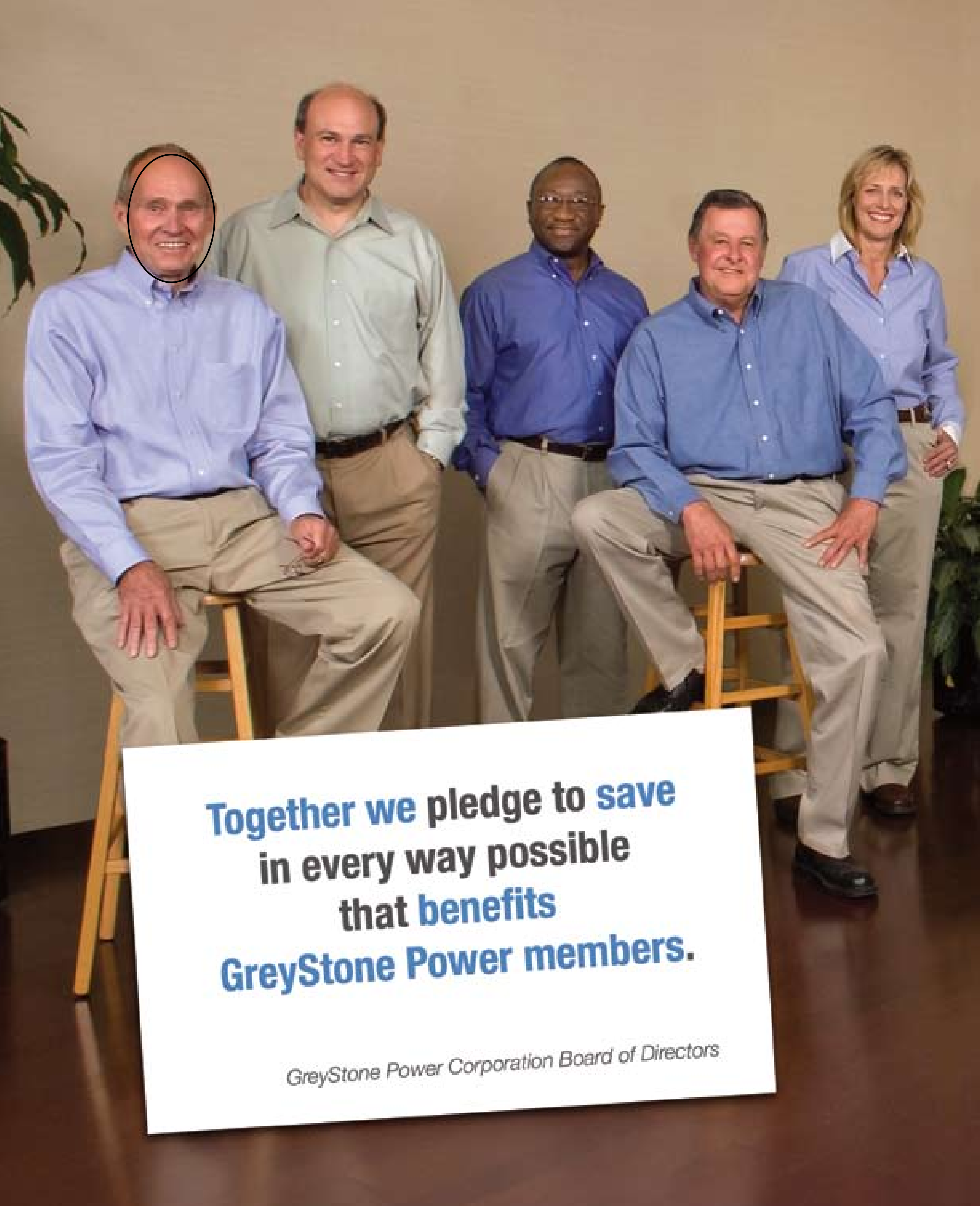
Average Service Availability Index

365 days | 8,760 hours | Average Service Availability Index



99.982169%

Which means that out of 8,760 hours (the number of hours in a year), the average consumer had power for 8,758 hours, 26 minutes and 17 seconds.


Together we pledge to save
in every way possible
that benefits
GreyStone Power members.
GreyStone Power Corporation Board of Directors

The GreyStone Power Board of Directors (L-R): Chairman Calvin Earwood, District 1: Paulding and Bartow counties; President/CEO Gary Miller; Milton Jones, District 7: Fulton County; Charles Rutland, District 3: Douglas and Paulding counties; Secretary-Treasurer Jennifer DeNyse, District 5: Carroll and Douglas counties; Burnell Redding, District 4: Carroll and Douglas counties; Vice Chairman John Walton, District 2: Paulding County; Jim Johns, District 8: Douglas County; Maribeth Wansley, District 6: Fulton, Fayette and Coweta counties; Ed Garrard, District 9: Cobb County.

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KATHY W. FLETCHER, CPA

October 22, 2009

REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors
GreyStone Power Corporation

We have audited the accompanying balance sheets of **GreyStone Power Corporation** as of August 31, 2009 and 2008 and the related statements of revenue, members' equity and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GreyStone Power Corporation as of August 31, 2009 and 2008 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2009 on our consideration of GreyStone Power Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 should be considered in assessing the result of our audits.

McNair, McLemore, Middlebrooks & Co., LLP

McNAIR, McLEMORE, MIDDLEBROOKS & CO., LLP

GreyStone Power Corporation
Balance Sheets
August 31

Assets

	2009	2008
Utility Plant		
Electric Plant in Service-At Cost	**$ 370,581,147**	$ 353,402,520
Construction Work in Progress	**9,037,323**	10,710,795
Gross Utility Plant	**379,618,470**	364,113,315
Accumulated Provision For Depreciation	**(61,634,015)**	(62,566,773)
	317,984,455	301,546,542
Other Property and Investments		
Investments in Associated Organizations	**17,078,909**	15,786,046
Notes Receivable	**48,756**	89,429
Other Investments	**10,256,488**	106,493
	27,384,153	15,981,968
Current Assets		
Cash and Cash Equivalents	**28,937,992**	13,739,473
Temporary Cash Investments	**13,900,000**	23,900,000
Accounts Receivable (Net of Accumulated Provision for Uncollectibles of $682,238 in 2009 and $912,178 in 2008)	**31,768,738**	26,127,414
Current Portion of Notes Receivable	**51,240**	51,813
Materials and Supplies	**3,063,541**	5,347,767
Prepayments	**15,417,924**	410,828
Other	**1,204,311**	1,175,236
	94,343,746	70,752,531
Deferred Debits	**8,793,758**	8,935,515
Total Assets	**$ 448,506,112**	$ 397,216,556

The accompanying notes are an integral part of these balance sheets.

GreyStone Power Corporation
Balance Sheets
August 31

Members' Equity and Liabilities

	2009	2008
Members' Equity		
Membership Fees	**$ 1,020,295**	$ 1,009,775
Patronage Capital	**162,363,113**	144,852,526
Other	**4,306,008**	3,895,534
	167,689,416	149,757,835
Long-Term Debt	**229,867,074**	191,209,963
Retirement Benefits	**-**	104,226
Current Liabilities		
Lines-of-Credit	**-**	8,000,000
Current Portion of Long-Term Debt	**6,971,000**	5,890,000
Current Portion of Retirement Benefits	**-**	219,000
Accounts Payable	**17,337,208**	19,337,193
Consumer Deposits	**16,818,416**	15,533,658
Other	**8,449,738**	7,027,081
	49,576,362	56,006,932
Deferred Credits	**1,373,260**	137,600
Total Equities and Liabilities	**$ 448,506,112**	$ 397,216,556

The accompanying notes are an integral part of these balance sheets.

GreyStone Power Corporation
Statements of Revenue
for the Years Ended August 31

	2009	2008
Operating Revenues	**$ 246,041,288**	$ 225,867,596
Operating Expenses		
Cost of Power	**168,593,422**	156,487,430
Distribution Operations	**8,830,165**	7,252,708
Distribution Maintenance	**6,656,880**	7,053,825
Consumer Accounts	**8,730,743**	8,649,017
Consumer Information and Sales	**1,826,414**	1,696,968
Administrative and General	**11,901,363**	7,711,586
Depreciation	**11,420,170**	10,817,668
Total Operating Expenses	**217,959,157**	199,669,202
Operating Margins Before Interest Expense	**28,082,131**	26,198,394
Interest Expense	**10,765,107**	9,981,655
Operating Margins After Interest Expense	**17,317,024**	16,216,739
Nonoperating Margins	**1,852,211**	1,289,267
Generation and Transmission Cooperative Capital Credits	**1,064,546**	1,008,585
Other Capital Credits and Patronage Capital Allocations	**683,243**	369,526
Net Margins	**$ 20,917,024**	$ 18,884,117

The accompanying notes are an integral part of these balance sheets.

GreyStone Power Corporation
Statements of Members' Equity
for the Years Ended August 31, 2009 and 2008

	Total Equities	Membership Fees	Patronage Capital	Other Equities
Balance, August 31, 2007	$ 133,646,632	$ 992,461	$ 129,390,884	$ 3,263,287
Net Margins	18,884,117		18,884,117	
Membership Fees	17,314	17,314		
Donated Capital	67,386			67,386
Retirement of Patronage Capital	(3,422,475)		(3,422,475)	
Retired Capital Credit Gains	564,861			564,861
Balance, August 31, 2008	149,757,835	1,009,775	144,852,526	3,895,534
Net Margins	20,917,024		20,917,024	
Membership Fees	10,520	10,520		
Donated Capital	47,197			47,197
Retirement of Patronage Capital	(3,406,437)		(3,406,437)	
Retired Capital Credit Gains	363,277			363,277
Balance, August 31, 2009	**$ 167,689,416**	**$ 1,020,295**	**$ 162,363,113**	**$ 4,306,008**

The accompanying notes are an integral part of these balance sheets.

GreyStone Power Corporation
Statements of Cash Flows
for the Years Ended August 31

	2009	2008
Cash Flows from Operating Activities		
Net Margins	**$ 20,917,024**	$ 18,884,117
Adjustments to Reconcile Net Margins to Net Cash Provided by Operating Activities		
Depreciation	**12,043,402**	11,468,314
Bad Debt Provision	**908,570**	871,866
Patronage Capital from Associated Organizations	**(1,573,487)**	(1,374,984)
Postretirement Benefit Cost	**706,312**	3,823,226
Change In		
Accounts Receivable	**(6,549,894)**	(5,083,590)
Other Current Assets	**(14,065,709)**	10,859
Accounts Payable	**(1,999,985)**	(1,921,858)
Other Current Liabilities	**1,422,657**	1,710,543
	11,808,890	28,388,493
Cash Flows from Investing Activities		
Extension and Replacement of Plant	**(27,554,553)**	(27,716,125)
Plant Removal Costs	**(1,391,365)**	(2,043,672)
Material Salvage	**464,603**	1,266,376
Deferred Debits	**141,757**	(7,556,383)
Deferred Credits	**1,235,660**	137,600
Materials and Supplies	**2,284,226**	(626,552)
Return of Equity from Associated Organizations	**237,537**	606,470
Notes Receivable	**41,246**	14,356
Other Investments	**(149,995)**	206,132
	(24,690,884)	(35,711,798)
Cash Flows from Financing Activities		
Advances from Long-Term Debt	**45,773,000**	12,213,000
Membership Fees	**10,520**	17,314
Principal Repayment of Long-Term Debt	**(6,020,444)**	(5,798,428)
Retirement of Patronage Capital	**(3,406,437)**	(3,422,475)
Consumers' Deposits	**1,284,758**	1,820,628
Other Equities	**410,474**	632,247
Lines-of-Credit	**(8,000,000)**	8,000,000
Advanced Payments on Long-Term Debt Unapplied	**(14,445)**	(283,875)
Funding of Postretirement Medical Benefits	**(2,000,000)**	(3,500,000)
Capital Term Certificates	**43,087**	81,914
	28,080,513	9,760,325
Net Increase in Cash and Cash Equivalents	**15,198,519**	2,437,020
Cash and Cash Equivalents - Beginning	**13,739,473**	11,302,453
Cash and Cash Equivalents - Ending	**$ 28,937,992**	$ 13,739,473
Supplemental Disclosure of Cash Flow Information		
Cash Payments of Interest	**$ 10,572,303**	$ 9,921,008

The accompanying notes are an integral part of these balance sheets.

(1) Summary of Significant Accounting Policies
Accounting policies of the Corporation reflect practices appropriate to the electric utility industry. The following describes the more significant of those policies.

Nature of Operations

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

Long-Lived Assets

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

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

Utility Plant

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.

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.

Provision has been made for depreciation of distribution plant at straight-line rates of 2.3 to 6.67 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 6.0 to 25.0 percent per annum.

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

Accounts Receivable and Credit Policies

Accounts receivable are stated at the amount billed to the consumer. Once an electric consumer's service is shut off and the account is approximately 90 days past due, the Corporation writes off the associated accounts receivable. An allowance is made for doubtful accounts based on experience and other circumstances which may affect the ability of consumers to meet their obligations. Accounts considered uncollectible are charged against the allowance. Receivables are reported on the balance sheets net of such accumulated allowance.

Materials and Supplies

Materials and supplies are stated at lower of cost or market. Cost is determined by the moving average method of inventory valuation.

Cash Equivalents and Temporary Cash Investments

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

Temporary cash investments consist primarily of National Rural Utilities Cooperative Finance Corporation (NRUCFC) medium-term notes which mature in less than one year. Amounts maturing in more than one year are included in other investments.

Equities and Margins

The Corporation is organized and operates under the cooperative form of organization. As such, patronage capital or margins are allocated to patrons on the basis of individual consumption of electric energy. Under provisions of the long-term debt agreements, until the total equities and margins equal or exceed 30 percent of the total assets of the Corporation, the return to patrons of capital contributed by them is limited. The Corporation's equities were 37 and 38 percent of total assets as of August 31, 2009 and 2008, respectively.

Operating Revenues and Patronage Capital

Operating revenues which include patronage capital are billed monthly to consumers. Electricity which had been used by members of the Corporation but had not been billed to the members was not recorded. This unbilled electric revenue approximated $11,444,000 and $10,856,000 for the years ended August 31, 2009 and 2008, respectively.

Cost of Purchased Power

Cost of power is expensed as consumed.

Capital Credits from Associated Organizations

The Corporation accounts for capital credits in associated organizations in accordance with the requirements of Statement of Position 85-3. Capital credits are the result of member patrons providing substantial capital to the organizations. Capital investments are made primarily to obtain an economical source of product to the member and not with the expectation of typical returns. The investments are accounted for as follows:

- At cost or estimated net realizable value when evidence indicates the carrying amount cannot be fully recovered.
- Refunds are recognized upon notification by the organization or when patronage occurs if it is probable that:

  – a patronage refund will be declared,
  – events confirming the receipt of a patronage refund are expected to occur,
  – the amount of the refund can be reasonably determined, and
  – the accrual can be consistently made from year to year.

In addition, management reviews the balance recorded in previous years as patronage occurred and adjusts the carrying cost if, in their opinion, the carrying value will not be fully recovered. Factors reviewed and considered in this process include:

- Financial forecast,
- Debt requirements, and
- Market conditions and other factors.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Corporation is exempt from federal and state income taxes under Section 501(c)(12) of the Internal Revenue Code which provides, in part, that the Corporation derive at least 85 percent of its annual gross income from members to retain the exemption. The Corporation expects to meet the requirement for the tax year ended December 31, 2009. Accordingly, no provision for income taxes has been made in the financial statements.

Fair Value of Financial Instruments

The Corporation adopted the provisions of SFAS No. 157 on September 1, 2008 as they relate to certain items, including those within the scope of SFAS No. 107, Disclosures about Fair Value of Financial Instruments, and financial and nonfinancial derivatives within the scope of SFAS No. 133. SFAS No. 157 requires, among other things, enhanced disclosures about investments that are measured and reported at fair value and establishes a hierarchical disclosure framework that prioritizes and ranks the level of market price observability used in measuring investments at fair value.

The three levels of the fair value hierarchy under SFAS No. 157 are described below:

Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.

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

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

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Corporation's financial assets are measured at fair value on a recurring basis. The fair value of the Corporation's cash and cash equivalents, temporary cash investments, receivables, inventories, other investments and payables approximate their fair value because of their short-term maturity. The carrying amount of long-term debt approximates fair value based on the rates offered to the Corporation for debt of the same remaining maturities. These measurements are considered to be Level 1 fair value measurements. Investments in associated organizations are not considered a financial instrument because they represent nontransferable interests in associated organizations.

New Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*, to provide enhanced guidance when using fair value to measure assets and liabilities. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in U.S. generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 applies whenever other pronouncements require or permit assets or liabilities to be measured at fair value and, while not requiring new fair value measurements, may change current practices. In February 2008, the FASB issued Staff Position (FSP) No. SFAS 157-1, Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13, (FSP 157-1). FSP 157-1, which is effective upon the initial adoption of SFAS No. 157, excludes SFAS No. 13, Accounting for Leases, as well as other accounting pronouncements that address fair value measurements on lease classification or measurement under SFAS No. 13, from the scope of SFAS No. 157. In February 2008, the FASB issued FSP No. SFAS 157-2, Effective Date of FASB Statement No. 157 (FSP 157-2). FSP 157-2 delays the effective date of SFAS No. 157 for all nonrecurring nonfinancial assets and liabilities until fiscal years beginning after November 15, 2008. Accordingly, FSP 157-2 will be effective for the Corporation beginning September 1, 2009 and all other aspects of SFAS No. 157 were effective for the Corporation beginning September 1, 2008. The Corporation is currently assessing the provisions and evaluating the financial impact of FSP 157-2 on its financial statements.

In December 2007, the FASB issued SFAS No. 141R, Business Combinations, which will significantly change how business combinations are accounted for through the use of fair values in financial reporting and will impact financial statements both on the acquisition date and in subsequent periods. SFAS No. 141R is effective for financial statements issued for fiscal years and interim periods beginning after January 1, 2009. The Corporation does not anticipate any financial impact on the Corporation's results of operations, cash flows or financial condition as a result of adopting SFAS No. 141R.

In September 2006, the FASB issued SFAS No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106, and 132(R). SFAS No. 158 requires an employer that sponsors a defined benefit postretirement plan to report the current economic status (the overfunded or underfunded status) of the plan in its balance sheet, to measure the plan assets and plan obligations as of the balance sheet date and to include enhanced disclosures about the plan. The Corporation adopted the recognition and disclosure provisions of SFAS No. 158 during the year ended August 31, 2007. The measurement date provision was adopted during the fiscal year ended August 31, 2009.

In July 2006, the FASB issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with Statement No. 109, Accounting for Income Taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition of tax benefits, classification on the balance sheet, interest and penalties, accounting in interim periods, disclosure, and transition. In December 2008, the FASB provided for a deferral of the effective date of FIN 48 for certain nonpublic enterprises to annual financial statements for fiscal years beginning after December 15, 2008. The Corporation adopted the provisions of FIN 48 on September 1, 2009. The Corporation does not believe that the adoption of FIN 48 will have a significant effect on its financial statements.

Subsequent Events

In preparing these financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through October 22, 2009, the date the financial statements were available to be issued.

Reclassifications

Certain reclassifications have been made within the August 31, 2008 financial statements to conform to the August 31, 2009 presentation.

(2) Utility Plant

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

	2009	2008
Distribution Plant	**$ 339,318,717**	$ 319,536,588
General Plant	**31,262,430**	33,865,932
Electric Plant in Service	**370,581,147**	353,402,520
Construction Work in Progress	**9,037,323**	10,710,795
	$ 379,618,470	$ 364,113,315

(3) Investments in Associated Organizations

	2009	2008
National Rural Utilities Cooperative Finance Corporation		
Membership Fee	$ 1,000	$ 1,000
Capital Term Certificates	1,961,507	2,004,593
Capital Credits	732,632	747,185
Georgia Rural Electric Service Corporation		
Capital Credits	1,495,677	1,352,509
GEMC Worker's Compensation Fund		
Capital Credits	91,717	93,251
Southeastern Data Cooperative, Inc		
Capital Credits	190,448	128,143
Georgia Transmission Corporation		
Membership Fee	5	5
Contributed Capital	2,860,384	2,860,384
Capital Credits	7,104,076	6,227,906
CoBank		
Membership Fee	1,000	1,000
Capital Credits	310,265	299,155
Georgia Systems Operations Corporation		
Capital Credits	12,312	11,547
Smarr EMC		
Membership Fee	5	5
Contributed Capital	474,582	474,582
Capital Credits	1,663,643	1,476,032
Federated Rural Electric Insurance Exchange		
Subscriber Equity	179,631	108,724
Green Power EMC		
Membership Fee	25	25
	$ 17,078,909	$ 15,786,046

(4) Other Investments

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

	2009	2008
Investment in GEMC 220, LLC	$ 35,306	$ 40,112
Investment in Cooperative Choice, LLC	221,182	66,381
NRUCFC Medium Term Notes Maturing in Excess of One Year	10,000,000	0
	$ 10,256,488	$ 106,493

(5) Prepayments

During the year ended August 31, 2009, the Corporation elected to participate in a prepayment of power bills program initiated by one of its wholesale power providers. Under the terms of the program, the Corporation can prepay its wholesale power costs and earn a prepayment discount on future bills. As of August 31, 2009, the Corporation had prepaid $14,000,000 of power costs. In addition, prepaid postretirement benefits of $970,472 are included in prepayments as of August 31, 2009.

(6) Deferred Debits

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

	2009	2008
Transportation Costs	**$ 182,524**	$ 106,307
Automated Meter Reading (AMR) Project Costs	**7,196,537**	3,005,481
Power Supply	**0**	1,597,142
Clearing Accounts	**228,997**	2,573,423
Information Systems Conversion	**693,893**	1,162,384
Other	**491,807**	490,778
	$ 8,793,758	$ 8,935,515

(7) Deferred Credits

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

	2009	2008
Marketing Incentives	**$ 218,051**	$ 137,600
Retirement Benefits Clearing	**1,155,209**	0
	$ 1,373,260	$ 137,600

(8) Patronage Capital

	2009	2008
Assignable	**$ 23,834,132**	$ 10,433,334
Assigned	**181,701,313**	174,185,087
	205,535,445	184,618,421
Retired	**(43,172,332)**	(39,765,895)
	$ 162,363,113	$ 144,852,526

(9) Other Equities:

	2009	2008
Nonoperating Margins	$ 50,517	$ 50,517
Operating Margins	56,108	56,108
Donated Capital	299,520	252,323
Gain or Retired Capital Credits	3,900,755	3,537,478
Capital Losses	(892)	(892)
	$ 4,306,008	$ 3,895,534

(10) Long-Term Debt

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

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

Holder of Note	Interest Rate	2009	2008
RUS	4.71% to 5.5%	$ 117,912,119	$ 120,787,855
RUS Cushion-of-Credit	5%	(298,321)	(283,875)
NRUCFC	4.75% to 5.9%	16,643,192	18,381,453
FFB	2.88% to 4.92%	101,461,113	57,020,537
CoBank	3.56%	1,119,971	1,193,993
		236,838,074	197,099,963
Maturities Due Within One Year		(6,971,000)	(5,890,000)
		$ 229,867,074	$ 191,209,963

The Corporation has a $26,700,000 line-of-credit at 4.25 percent with NRUCFC which had no outstanding balance as of August 31, 2009 and 2008. The Corporation also has a $20,000,000 line-of-credit at 3.56 percent with CoBank which had outstanding balances of $-0- and $8,000,000 as of August 31, 2009 and 2008, respectively.

Principal maturities of long-term debt approximate $6,971,000 for the ensuing five years.

The Corporation has unadvanced loan funds totaling $111,740,000 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 agreement.

The Corporation had 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.

(11) Retirement Benefits

Pension Plan (Defined Benefit)

Pension benefits for substantially all employees of the Corporation are provided through participation in the National Rural Electric Cooperative Association (NRECA) Retirement and Security Program, a defined benefit plan qualified under Section 401 and tax exempt under 501 (a) of the Internal Revenue Code. The Corporation makes annual contributions to the program equal to the amounts recorded for the pension expense. Total pension cost of $2,553,710 and $2,228,876 was charged to operations for the years ended August 31, 2009 and 2008, respectively. In this multi-employer plan, which is available to all member cooperatives of NRECA, the accumulated benefits and plan assets are not determined or allocated separately by individual employer.

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 $63,799 and $53,682 for the years ended August 31, 2009 and 2008, respectively.

Postretirement Healthcare Benefits

The Corporation provides medical benefits and life insurance to qualified retirees and directors.

The Corporation also adopted the measurement date provision of SFAS No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans-An Amendment of FASB Statements No. 87, 88, 106 and 132(R), during the year ended August 31, 2009. The adoption of the measurement date provision had no affect on the financial statements.

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

	2009	2008
Accumulated Postretirement Benefit Obligation		
Beginning of the Year	**$ 16,367,800**	$ 12,457,903
Service Cost	**451,900**	3,252,379
Interest Cost	**927,700**	876,800
Actuarial (Gain) Loss	**(245,043)**	2,210
Benefits Paid	**(220,757)**	(221,492)
Accumulated Postretirement Benefit Obligation		
End of the Year	**17,281,600**	16,367,800
Fair Value of Plan Assets, Beginning of Year	**16,044,574**	12,559,579
Contributions	**2,219,283**	3,721,492
Benefits Paid	**(219,283)**	(221,492)
Gain (Loss) on Plan Assets	**207,488**	(15,005)
Fair Value of Plan Assets, End of Year	**18,252,062**	16,044,574
Funded Status	**$ 970,462**	($ 323,226)
Weighted average assumptions for the year ended August 31, 2009:		
Discount Rate	**5.75%**	5.75%
Healthcare Cost Trend Rate	**8.50%**	5.00%
Expected Return on Plan Assets	**3.00%**	3.00%

The healthcare cost trend rate was assumed to decrease gradually to 5 percent by the year 2017 and remain at that level thereafter. The healthcare cost trend rate assumption has a significant effect on the amounts reported.

The Corporation's expected benefit payments under the plan for the next five years are as follows:

Year	Amount
2010	$ 439,800
2011	501,600
2012	538,600
2013	606,700
2014	644,500

The following table sets forth the weighted-average asset allocations of the Corporation's postretirement medical benefits as of August 31, 2009 and 2008 by asset category:

Year	Cash and Cash Equivalents	Fixed Income Securities	Equities	Total
2009	13.50%	58.34%	28.16%	100.00%
2008	24.34%	41.81%	33.85%	100.00%

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

The Corporation estimates that it will make $1,000,000 in voluntary contributions to its postretirement healthcare plan during the year ended August 31, 2010.

(12) Commitments

The Corporation has a wholesale power contract with Oglethorpe Power Corporation (OPC) through 2050. Under the terms of the contract, the Corporation is responsible for the fixed costs of certain OPC generation resources, ranging from 6.8084 to 20.7685 percent. The Corporation's portion of these costs totaled approximately $35,154,400 (including Smarr and Sewell Creek combustion turbines) for the year ended August 31, 2009. The fixed costs are expected to remain relatively constant in the immediate future.

The Corporation entered into a power purchase agreement dated November 1, 1998 with Smarr EMC for a facility known as the Smarr Energy Facility. The agreement is in effect through December 31, 2014. Under the terms of the agreement, the Corporation is responsible for 6.9417 percent of the Smarr Energy Facility fixed costs. In addition, the Corporation entered into a separate power purchase agreement dated January 1, 2000 with Smarr EMC for a facility known as Sewell Creek. This agreement exists until December 31, 2015 and required a guaranty equaling to the Corporation's participation in the project. The Corporation is liable for 3.9080 percent of the outstanding indebtedness of Smarr EMC related to the Sewell Creek Facility. The total balance of indebtedness for the facility as of August 31, 2009 was approximately $90,400,000.

The Corporation entered into power purchase agreements dated November 1, 2001, related to the Chattahoochee Energy Facility and the Talbot Energy Facility. These facilities are owned by OPC, and under the terms of the agreements, the Corporation is responsible for 6.8084 percent of the Chattahoochee Energy Facility fixed costs and 20.7685 percent of the Talbot Energy Facility fixed costs. The Corporation's portion of these fixed costs, which totaled approximately $2,542,400 for the Chattahoochee Energy Facility and $5,729,000 for the Talbot Energy Facility for the year ended August 31, 2009 and is expected to remain relatively constant in the immediate future. The agreements are in effect through December 31, 2050.

The Corporation has an agreement with a third party to provide power requirement needs through December 31, 2010. As part of the agreement, the Corporation has agreed to meet certain financial covenants or provide credit enhancement in accordance with the terms of the agreement. The Corporation currently meets the required covenants.

The Corporation is a member of a transmission cooperative known as Georgia Transmission Corporation and, as such, has a Member Transmission Service Agreement which was executed in 1996. This agreement, and an approved extension, requires the Corporation to take transmission related services through December 31, 2060. Transmission service under this agreement was approximately $13,838,600 for year ended August 31, 2009 and is expected to remain relatively constant in the immediate future. Transmission service is recorded as a component of cost of power.

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) Contingencies

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

(14) Concentrations

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of cash and cash equivalents, temporary cash investments, other investments and consumer accounts receivable. The Corporation maintains its cash balances in financial institutions; cash balances throughout the year periodically exceed federally insured deposit limits of $250,000.

As of August 31, 2009, commercial paper and medium-term notes of NRUCFC in the amount of $36,100,000 which were held by the Corporation were included in cash and cash equivalents, temporary cash investments and other investments. The amount is not secured or otherwise subject to federally insured deposit liability coverage.

Concentrations of credit risk with respect to consumer accounts receivable are limited due to the large number of consumers comprising the Corporation's consumer base.

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