GREYSTONE POWER CORPORATION
DOUGLASVILLE, GEORGIA

FINANCIAL STATEMENTS AS OF
AUGUST 31, 2014 AND 2013 AND
REPORT OF INDEPENDENT ACCOUNTANTS

GREYSTONE POWER CORPORATION

CONTENTS

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October 24, 2014

REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors
GreyStone Power Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of **GreyStone Power Corporation**, which comprise the balance sheets as of August 31, 2014 and 2013, and the related statements of revenue, changes in members' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GreyStone Power Corporation as of August 31, 2014 and 2013, 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.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued a report dated October 24, 2014 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 in considering GreyStone Power Corporation's internal control over financial reporting and compliance.

McNair, McLemore, Middlebrooks & Co., LLC

McNAIR, McLEMORE, MIDDLEBROOKS & CO., LLC

GREYSTONE POWER CORPORATION
BALANCE SHEETS
AUGUST 31

ASSETS

	2014	2013
Utility Plant		
Electric Plant in Service-At Cost	**$ 444,361,184**	$ 432,650,814
Construction Work in Progress	**6,110,439**	7,476,639
Gross Utility Plant	**450,471,623**	440,127,453
Accumulated Provision for Depreciation	**(101,663,011)**	(96,453,486)
	348,808,612	343,673,967
Other Property and Investments		
Investments in Associated Organizations	**22,629,474**	21,526,762
Other Investments	**614,922**	24,496,003
	23,244,396	46,022,765
Current Assets		
Cash and Cash Equivalents	**57,866,605**	57,862,599
Short-Term Investments	**23,900,000**	-
Accounts Receivable (Net of Accumulated Provision for Uncollectibles of $684,028 in 2014 and $992,168 in 2013)	**26,054,846**	24,891,460
Materials and Supplies	**2,147,509**	3,846,500
Prepayments	**5,699,367**	2,387,071
Other	**1,280,755**	1,561,514
	116,949,082	90,549,144
Deferred Debits	**9,496,337**	17,774,829
Total Assets	**$ 498,498,427**	$ 498,020,705

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

GREYSTONE POWER CORPORATION
BALANCE SHEETS
AUGUST 31

MEMBERS' EQUITY AND LIABILITIES

	2014	2013
Members' Equity		
Membership Fees	**$ 1,067,095**	$ 1,051,890
Patronage Capital	**202,151,478**	192,263,273
Other	**7,112,038**	6,910,347
	210,330,611	200,225,510
Long-Term Debt	**230,608,523**	245,985,359
Current Liabilities		
Current Portion of Long-Term Debt	**10,311,000**	9,071,000
Accounts Payable	**17,274,127**	12,001,450
Consumer Deposits	**18,387,941**	18,663,822
Other	**10,995,713**	10,238,451
	56,968,781	49,974,723
Deferred Credits	**590,512**	1,835,113
Total Members' Equity and Liabilities	**$ 498,498,427**	$ 498,020,705

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

GREYSTONE POWER CORPORATION
STATEMENTS OF REVENUE
FOR THE YEARS ENDED AUGUST 31

	2014	2013
Operating Revenues	**$ 276,550,531**	$ 263,471,664
Operating Expenses		
Cost of Power	**206,482,455**	194,477,697
Distribution Operations	**7,677,516**	7,205,222
Distribution Maintenance	**7,704,285**	7,934,907
Consumer Accounts	**6,657,224**	6,754,274
Consumer Information and Sales	**2,641,230**	1,655,603
Administrative and General	**9,209,523**	10,142,472
Depreciation	**15,191,379**	14,923,512
Total Operating Expenses	**255,563,612**	243,093,687
Operating Margins Before Interest Expense	**20,986,919**	20,377,977
Interest Expense	**11,392,196**	10,811,040
Operating Margins	**9,594,723**	9,566,937
Nonoperating Margins	**3,066,284**	2,105,633
Generation and Transmission Cooperative Capital Credits	**1,024,131**	1,114,968
Other Capital Credits and Patronage Capital Allocations	**299,071**	364,664
Net Margins	**$ 13,984,209**	$ 13,152,202

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

GREYSTONE POWER CORPORATION
STATEMENTS OF CHANGES IN MEMBERS' EQUITY
FOR THE YEARS ENDED AUGUST 31, 2014 AND 2013

	Total Members' Equity	Membership Fees	Patronage Capital	Other Equities
Balance, August 31, 2012	$ 190,626,482	$ 1,035,085	$ 183,175,294	$ 6,416,103
Net Margins	13,152,202	-	13,152,202	-
Membership Fees	16,805	16,805	-	-
Retirement of Patronage Capital	(4,064,223)	-	(4,064,223)	-
Retired Capital Credit Gains	494,244	-	-	494,244
Balance, August 31, 2013	200,225,510	1,051,890	192,263,273	6,910,347
Net Margins	13,984,209	-	13,984,209	-
Membership Fees	15,205	15,205		-
Retirement of Patronage Capital	(4,096,004)	-	(4,096,004)	-
Retired Capital Credit Gains	201,691	-	-	201,691
Balance, August 31, 2014	**$ 210,330,611**	**$ 1,067,095**	**$ 202,151,478**	**$ 7,112,038**

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

GREYSTONE POWER CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31

	2014	2013
Cash Flows from Operating Activities		
Net Margins	**$ 13,984,209**	$ 13,152,202
Adjustments to Reconcile Net Margins to Net Cash Provided by Operating Activities		
Depreciation	**16,097,410**	15,178,169
Amortization of Pension Plan Prepayment	**1,111,987**	741,325
Bad Debt Provision	**586,692**	610,491
Patronage Capital from Associated Organizations	**(1,390,187)**	(1,546,935)
Equity in Earnings from Partnership Interests	**(648,939)**	(486,420)
Net Postretirement Benefit Cost	**970,414**	(284,894)
Prepaid Power Applied	**13,863,209**	18,589,379
Postretirement Healthcare Plan Contributions	**(304,765)**	(298,527)
Voluntary Prepaid Pension Contribution	**-**	(11,119,873)
Change In		
Accounts Receivable	**(1,750,078)**	848,643
Prepaid Power	**(11,030,433)**	(14,713,920)
Other Current Assets	**1,449,607**	(1,164,141)
Deferred Debits	**(147,415)**	1,156,767
Accounts Payable	**5,272,677**	(7,533,756)
Other Current Liabilities	**(184,268)**	(435,770)
Deferred Credits	**(1,244,601)**	1,245,947
	36,635,519	13,938,687
Cash Flows from Investing Activities		
Extension and Replacement of Plant	**(21,232,055)**	(19,846,742)
Materials and Supplies	**1,698,991**	(854,538)
Return of Equity	**917,495**	866,097
	(18,615,569)	(19,835,183)
Cash Flows from Financing Activities		
Advances from Long-Term Debt	**20,368,762**	40,233,301
Advanced Payments on Long-Term Debt Unapplied	**(16,430,324)**	(755,045)
Principal Repayment of Long-Term Debt	**(18,075,274)**	(11,338,486)
Retirement of Patronage Capital	**(4,096,004)**	(4,064,223)
Other	**216,896**	840,404
	(18,015,944)	24,915,951
Net Increase in Cash and Cash Equivalents	**4,006**	19,019,455
Cash and Cash Equivalents- Beginning	**57,862,599**	38,843,144
Cash and Cash Equivalents- Ending	**$ 57,866,605**	$ 57,862,599
Supplemental Disclosure of Cash Flow Information		
Cash Payments of Interest	**$ 11,331,927**	$ 10,693,635

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

(1) Summary of Significant Accounting Policies

Accounting policies of the Corporation reflect practices appropriate to the electric utility industry and accounting principles generally accepted in the United States of America (U.S. GAAP). The records of the Corporation are maintained in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission as modified and adopted by the Rural Utilities Service (RUS). The following describes the more significant of those policies.

Nature of Operations

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

Regulated Operations

The Corporation, in its rate-making capacity, accounts for certain revenue and expense deferrals in accordance with *Accounting Standards Codification (ASC) 980*.

Long-Lived Assets

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

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

Utility Plant

Electric distribution plant is capitalized at cost less related contributions in aid of construction. In general, electric distribution plant is capitalized at the time it becomes part of an operating unit and has been energized. However, certain items of plant referred to as special equipment items (meters, transformers, oil circuit reclosers, etc.) are capitalized at the time of purchase along with related estimated cost of installation.

(1) Summary of Significant Accounting Policies (Continued)

Depreciation and Maintenance

Depreciation of distribution plant is provided using composite straight-line rates. When property subject to depreciation is retired or otherwise disposed of in the normal course of business, its capitalized cost and its cost of removal less salvage are charged to the accumulated provision for depreciation. Provision has been made for depreciation of distribution plant at weighted average straight-line composite rate of 3.3 percent per annum.

Depreciation of general plant is provided on a straight-line basis over the estimated useful lives of the various assets. The weighted average rate on general plant is 7.49 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.

Investments in Associated Organizations

Investments in associated organizations primarily include investments in other cooperative organizations. Other than Oglethorpe Power Corporation (OPC) capital credits, investments in other cooperative organizations represent capital investments made primarily to obtain an economical source of financing, product or service. Investments in other cooperative organizations, other than OPC capital credits, are carried at cost plus allocated equities in accordance with *ASC 905-325-30*. The Corporation has elected to account for OPC capital credits as a financial instrument under U.S. GAAP, based on an expectation of a return of capital. OPC capital credits are measured at fair value on an annual basis.

Materials and Supplies

Materials and supplies are generally used for construction and for operation and maintenance work, and are not for resale. Cost is determined by the moving average method of inventory valuation. They are charged to construction or operations at moving average cost when used.

Cash Equivalents, Short-Term and Other Investments

Cash equivalents include time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less. Similar instruments with an original maturity of more than three months, but less than one year, are considered short-term investments. Any instruments that mature in more than one year are included in other investments.

(1) Summary of Significant Accounting Policies (Continued)

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 42 and 40 percent of total assets as of August 31, 2014 and 2013, respectively.

Advertising

The Corporation expenses advertising costs as incurred. Advertising costs are a component of consumer information and sales expense in the statements of revenue.

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 was not recorded. 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. As a result, the overall estimate of unbilled revenues could be significantly affected, which could have a material impact on the Corporation's results of operations if recorded in the financial statements. Unbilled electric revenue was estimated to be approximately $12,469,000 and $12,004,000 as of August 31, 2014 and 2013, respectively.

Cost of Purchased Power

Cost of power is expensed as consumed.

Use of Estimates

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

Income Taxes

The Corporation is exempt from federal and state income taxes under Section 501(c)(12) of the Internal Revenue Code 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, 2014. Accordingly, no provision for income taxes has been made in the financial statements.

The Corporation's federal information returns for the tax years ended after December 31, 2011 are subject to examination by the Internal Revenue Service.

(1) Summary of Significant Accounting Policies (Continued)

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 is effective for nonpublic companies for reporting periods beginning after December 15, 2017, and interim and annual reporting periods thereafter. The standard will require the Corporation to accrue unbilled electric revenue with retrospective application and will require a change in accounting principle in the period adopted.

Sales Tax

A portion of the Corporation's sales are subject to sales tax. The Corporation collects the sales tax from the customers and remits the tax to the appropriate taxing authority. The Corporation excludes the taxes collected and remitted from revenues and cost of sales.

Reclassifications

Certain reclassifications have been made within the August 31, 2013 financial statements to conform to the August 31, 2014 presentation. The reclassifications had no effect on net margins for the year ended August 31, 2013.

Subsequent Events

In preparing these financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through October 24, 2014, the date the financial statements were available to be issued.

(2) Utility Plant

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

	2014	2013
Distribution Plant	**$ 401,533,918**	$ 391,371,671
General Plant	**42,827,266**	41,279,143
Electric Plant in Service	**444,361,184**	432,650,814
Construction Work in Progress	**6,110,439**	7,476,639
	$ 450,471,623	$ 440,127,453

(3) Investments in Associated Organizations

		2014		2013
National Rural Utilities Cooperative Finance Corporation				
Capital Term Certificates	**$**	**1,743,887**	$	1,774,240
Capital Credits		**930,544**		898,876
Georgia Rural Electric Service Corporation				
Capital Credits		**1,628,049**		1,628,049
Georgia Transmission Corporation				
Contributed Capital		**2,860,384**		2,860,384
Capital Credits		**12,032,209**		11,075,082
Smarr EMC				
Contributed Capital		**318,393**		318,393
Capital Credits		**1,799,071**		1,732,542
Other		**1,316,937**		1,239,196
	$	**22,629,474**	$	21,526,762

(4) Other Investments

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

		2014		2013
Investment in GEMC 220, LLC	**$**	**14,539**	$	21,811
Investment in Cooperative Choice, LLC		**600,383**		574,192
NRUCFC Medium-Term Notes Maturing in Excess of One Year		**-**		23,900,000
	$	**614,922**	$	24,496,003

The Corporation accounts for its investments in GEMC 220, LLC and Cooperative Choice, LLC utilizing the equity method. For the year ended August 31, 2014, the Corporation recorded income of $648,939, as a component of nonoperating margins, related to these investments.

(5) Prepaid Power Program

The Corporation has 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 prepays its wholesale power costs and earns a prepayment discount on its power bills. The Corporation had prepaid power costs of $5,291,765 and $8,124,541 as of August 31, 2014 and 2013, respectively. Based on maturity dates provided to the wholesale power provider, those amounts are classified as follows on the balance sheets:

		2014		2013
Prepayments	**$**	**5,291,765**	$	810,621
Deferred Debits		**-**		7,313,920
	$	**5,291,765**	$	8,124,541

(6) Deferred Debits

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

		2014		2013
Voluntary Prepaid Pension Contribution *(Note 11)*	**$**	**9,266,561**	$	10,378,548
Prepaid Power in Excess of One Year		**-**		7,313,920
Transportation Clearing		**112,498**		28,856
Long-Range Work Plans		**63,577**		50,374
Other		**53,701**		3,131
	$	**9,496,337**	$	17,774,829

(7) Deferred Credits

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

		2014		2013
Benefits Clearing	**$**	**1,233**	$	1,396,377
Marketing Incentives		**315,609**		202,435
Unearned Pole Rental Income		**273,670**		236,301
	$	**590,512**	$	1,835,113

(8) Patronage Capital

		2014		2013
Assignable	$	**8,338,294**	$	7,778,517
Assigned		**262,423,882**		248,999,450
		270,762,176		256,777,967
Retired		**(68,610,698)**		(64,514,694)
	$	**202,151,478**	$	192,263,273

(9) Other Equities

		2014		2013
Nonoperating Margins	$	**50,517**	$	50,517
Operating Magins		**55,909**		55,909
Donated Capital		**477,033**		471,169
Gain on Retired Capital Credits		**6,529,470**		6,333,643
Capital Losses		**(891)**		(891)
	$	**7,112,038**	$	6,910,347

(10) Long-Term Debt

Long-term debt consists primarily of mortgage notes payable to the United States of America acting through 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.

(10) Long-Term Debt (Continued)

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

Holder of Note	Weighted Average Interest Rate	2014	2013
RUS	4.95%	**$ 86,855,280**	$ 89,532,135
NRUCFC	-	**-**	9,532,443
FFB	3.78%	**173,796,530**	157,501,948
CoBank	4.59%	**12,333,698**	14,125,494
		272,985,508	270,692,020
Maturities Due Within One Year		**(10,311,000)**	(9,071,000)
		262,674,508	261,621,020
RUS Advance Payments Unapplied		**(32,065,985)**	(15,635,661)
		$ 230,608,523	$ 245,985,359

The Corporation's mortgage agreement requires the maintenance of certain financial ratios. The Corporation achieved all the required ratios at December 31, 2013, the most recent measurement date.

The Corporation has a $26,700,000 line-of-credit at 2.9 percent with NRUCFC which had no outstanding balance as of August 31, 2014 and 2013. The Corporation also has a $20,000,000 line-of-credit at 2.81 percent with CoBank which had no outstanding balance as of August 31, 2014 and 2013.

Principal maturities of long-term debt range from $10,000,000 to $11,000,000 for the ensuing five years.

The Corporation had no unadvanced loan funds on commitment as of August 31, 2014. The Corporation received approval of a $37,073,000 loan from FFB on September 16, 2014. 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 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.

(11) Retirement Benefits

Defined Benefit Pension Plan

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

(11) Retirement Benefits (Continued)

Defined Benefit Pension Plan (Continued)

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 $3,181,141 and $4,213,859 for the years ended August 31, 2014 and 2013, 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, 2014 and 2013 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.

The Corporation made a voluntary prepaid pension contribution to the National Rural Electric Cooperative Association (NRECA) Retirement Security Plan (RS Plan) of $11,119,873. The prepayment was equivalent to approximately 2.5 times the calendar year 2013 annual required contribution and, based on assumptions utilized by RS Plan actuaries, will reduce the Corporation's billing rate by approximately 25 percent over the next 15 years. However, assumptions utilized by RS Plan actuaries are subject to changes in interest rates, asset returns and other plan experience different from that expected, plan assumption changes and other factors that may have an impact on the differential in billing rates over the 15-year period. RUS approved the accounting treatment for the voluntary prepayment and issued guidance on amortization. The voluntary prepayment will be amortized over 120 months in accordance with the guidance issued. The Corporation began amortizing the amount effective January 1, 2013. As of August 31, 2014, the unamortized balance of the voluntary prepayment was $9,266,561. This amount is included as a deferred debit on the balance sheets.

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 $127,990 and $94,576 for the years ended August 31, 2014 and 2013, respectively.

(11) Retirement Benefits (Continued)

Postretirement Healthcare Benefits

The Corporation provides major medical benefits upon retirement as follows:

- For employees hired prior to June 1, 1992 who have reached early (age 55) or normal (age 62 or 30 years of service) retirement dates with 10 years or more of active service with the Corporation at the time retirement commences, the Corporation shall bear the expense of premium payments for employee coverage under the higher deductible plan that the Corporation approves for employees.
- Regular, full time employees hired between June 1, 1992 and December 31, 2004 with 20 to 25 years of active service with the Corporation at normal retirement dates shall have 50 percent of the premium paid by the Corporation for employee coverage; those with 25 to 30 years shall have 75 percent of the premium paid by the Corporation for employee coverage; and those reaching 30 years or more of active service shall receive the benefit of having 100 percent of the employee premium paid for the coverage for the higher deductible plan that the Corporation approves for employees.
- Corporation employees hired on or after January 1, 2005 shall not be eligible for any major medical insurance benefits upon retirement, regardless of the number of years of active service with the Corporation.
- Regular, part-time employees and employees, hired prior to January 1, 2005, with less than the required years of active service and who retire in good standing shall be permitted to retain coverage for them, their spouses, and their dependents by paying the full premium.

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

	2014	2013
Accumulated Postretirement Benefit Obligation, Beginning	**$ 24,078,482**	$ 23,929,323
Service Cost	**722,214**	832,650
Interest Cost	**1,143,680**	941,857
Change in Actuarial Assumptions	**1,420,139**	(1,326,821)
Actual Benefits Paid	**(304,765)**	(298,527)
Accumulated Postretirement Benefit Obligation, Ending	**27,059,750**	24,078,482
Fair Value of Plan Assets, Beginning	**24,379,505**	23,646,925
Contributions	**304,765**	298,527
Actual Benefits Paid	**(304,765)**	(298,527)
Actual Return on Plan Assets	**2,315,619**	732,580
Fair Value of Plan Assets, Ending	**26,695,124**	24,379,505
Over (Under) Funded	**$ (364,626)**	$ 301,023

The plan's funded status is included in other current liabilities on the balance sheets as of August 31, 2014 and other current assets as of August 31, 2013.

(11) Retirement Benefits (Continued)

Postretirement Healthcare Benefits (Continued)

Net postretirement benefit cost consisted of the following for the years ended August 31:

	2014	2013
Service Cost	**$ 722,214**	$ 832,650
Interest Cost	**1,143,680**	941,857
Actual Return on Plan Assets	**(2,315,619)**	(732,580)
Amortization of Actuarial (Gain) Loss	**1,420,139**	(1,326,821)
	$ 970,414	$ (284,894)

The Corporation's accumulated postretirement benefit obligation (APBO) and net postretirement benefit cost are calculated using various actuarial assumptions and methodologies. The assumptions include discount rates, healthcare trend rates, mortality rates and other factors. Actuarial assumptions are reviewed on an annual basis. Weighted average assumptions for the years ended August 31 are as follows:

Description	**2014**	2013	2012
Discount Rate on Net Period Benefit Cost	**4.90%**	4.00%	5.00%
Discount Rate on Projected Benefit Obligation	**4.55%**	4.90%	4.00%
Healthcare Cost Trend Rate			
Initial	**7.00%**	8.65%	8.00%
Ultimate	**5.00%**	5.65%	5.00%
Fiscal Year Reached	**2020**	2019	2018

Based on the third-party actuarial study, the impact of the health care trend rates is as follows:

	1% Decrease in Rates	1% Increase in Rates
Change in APBO, End of Year - (Increase) Decrease	**$ (4,728,300)**	$ 6,239,045
Change in Sum of Service and Interest Costs - (Increase) Decrease	**$ (355,978)**	$ 476,530

The Corporation has elected to recognize actuarial gains or losses in the year incurred. As a result, the Corporation does not recognize comprehensive income related to its postretirement healthcare plan.

(11) Retirement Benefits (Continued)

Postretirement Healthcare Benefits (Continued)

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

Year	Amount
2015	$ 472,727
2016	524,907
2017	567,211
2018	649,430
2019	723,957
2020-2024	5,272,993

Plan assets are held in a trust and administered by an independent investment management company (the Trustee). The trust is a separate legal entity. Assets held by the trust are not subject to the general creditors of the Corporation, and have been placed in the trust for the specific purpose of funding the Corporation's postretirement healthcare obligation.

The following table sets forth the weighted-average asset allocations of the plan assets as of August 31:

Year	Cash and Cash Equivalents	Fixed Income Securities	Foreign Equities	Domestic Equities	Total
2014	**2.60%**	**72.05%**	**8.29%**	**17.06%**	**100.00%**
2013	5.63%	64.47%	6.81%	23.09%	100.00%

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

The current asset allocation adheres to the Corporation's overall investment strategy for plan assets. The fair value measurement is based on unadjusted quoted market prices in active markets for identical assets. This is considered a Level 1 fair value measurement, measured utilizing the market approach, in accordance with U.S. GAAP.

The Corporation estimates that it will make no voluntary contributions to the trust during the year ended August 31, 2015.

(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 assignment of fixed costs through the term of these contracts, as well as any variable cost incurred above the allocated fixed cost amounts.

(12) Commitments (Continued)

The most significant of these contracts and related fixed costs for the year ended August 31, 2014 were as follows:

Corporation/Facility	Contract Expiration	Percentage of Fixed or Designated Cost	Fixed Cost
Oglethorpe Power Corporation			
Chattahoochee Energy Facility	12/31/2025	6.8084%	$ 2,602,232
Talbot EMC	12/31/2025	20.7685%	5,607,044
Doyle Facility	8/25/2015	3.7930%	734,358
All Other OPC Resources	12/31/2050	5.8921%	40,231,070
Smarr EMC			
Smarr Energy Facility	12/31/2014	6.9417%	505,852
Sewell Creek Energy Facility	12/31/2015	3.9080%	774,212

In addition to these items, the Corporation has agreed to guarantee .7816 percent of the outstanding indebtedness of Smarr EMC related only to the Sewell Creek Facility. The total indebtedness for the facility as of December 31, 2013 was approximately $25,828,000 and the Corporation's maximum potential obligation as of that dates was approximately $201,900. This amount decreases as the value of the indebtedness decreases.

The Corporation is a member of a transmission cooperative known as Georgia Transmission Corporation and, as such, has a Member Transmission Service Agreement which was executed in 1996. This agreement, and an approved extension, requires the Corporation to take transmission-related services through December 31, 2060. Transmission services under this agreement were approximately $15,591,000 for year ended August 31, 2014 and are expected to remain relatively constant in the immediate future. Transmission service is recorded as a component of cost of power.

The Corporation is party to a block purchase agreement with a third party through December 31, 2014. The Corporation has to meet certain RUS and NRUCFC financial covenants or provide a predefined level of credit support as specified by the agreement. The Corporation currently meets the required covenants. The cost under the agreement was approximately $6,946,000 for the year ended August 31, 2014.

The Corporation has an agreement with a third party to provide power requirement needs through December 31, 2015. As part of the agreement, the Corporation has agreed to meet certain financial covenants or provide credit enhancement in accordance with the terms of the agreement. The Corporation currently meets the required covenants. The cost under the agreement was approximately $95,223,000 for the year ended August 31, 2014.

The Corporation is party to a Purchase Power Agreement with the Southeastern Power Administration (SEPA), acting through the United States Department of Energy, for electric power generated by federal reservoir projects. The cost incurred under the agreement was approximately $2,114,000 for the year ended August 31, 2014. Costs related to this contract are expected to remain relatively constant in future years.

(12) Commitments (Continued)

The Corporation has entered into various assignment and assumption agreements through Green Power EMC and its participating members. These "green power" agreements are in support of the Corporation's receiving capacity and energy from the various renewable generation projects that the Corporation has chosen to participate in through Green Power EMC. The Corporation incurred approximately $1,170,000 capacity and energy payments for these generation assets in the year ended August 31, 2014.

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

A class-action lawsuit was filed on March 13, 2014 against three distribution cooperatives, OPC and GTC. The plaintiffs in the case seek a class-action certification of other members of OPC and GTC, including the Corporation, as additional defendants in the case. The lawsuit challenges patronage capital distribution practices. An answer as well as a motion to dismiss has been filed with the Court. Management believes the case is without merit and intends to defend the case vigorously. It is not possible to estimate the likelihood of an unfavorable outcome in the case; however, a decision in favor of the plaintiffs could significantly impact the financial position of the Corporation.

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

(14) Concentrations

As of August 31, 2014, commercial paper and medium-term notes of NRUCFC in the amount of $71,218,700 which were held by the Corporation were included in cash and cash equivalents, short-term and other investments. These instruments are not secured or otherwise subject to federally insured deposit liability coverage.

In addition, the Corporation has an investment account through CoBank which totaled $5,290,737 as of August 31, 2014. This amount is included in cash and cash equivalents on the balance sheets and is not secured or otherwise subject to federally insured deposit liability coverage.

The Corporation maintains interest-bearing cash balances in multiple financial institutions; those cash balances throughout the year periodically exceed the federally insured deposits limits. The Corporation believes that its cash is not exposed to any significant risk and the Corporation has not experienced any loss in accounts which exceed federally insured limits.

The Corporation serves customers in the state of Georgia. The geographic concentration of the Corporation's customers results in a concentration of credit risk with respect to the collection of accounts receivable. Credit evaluations are performed on most potential customers before accepting them for service. Depending upon the results of the credit evaluation, a deposit may be required. If a customer does not pay its bill based on the terms of its service agreement, the Corporation may require a consumer deposit as a condition for continued service.

(14) Fair Value of Financial Instruments

Fair Value Hierarchy

The Corporation records certain financial and nonfinancial assets using fair value measurements. The Corporation uses a hierarchical disclosure framework that prioritizes the level of market price observability to measure investments at fair value.

The guidance establishes a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value as follows:

Level 1. Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Corporation has the ability to access.

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

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

The following valuation techniques are used to estimate the fair value of each class of financial instrument:

(1) *Market approach*. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities (including a business) and deriving fair value based on these inputs.

(2) *Income approach*. The income approach uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts.

(3) *Cost approach.* The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (often referred to as current replacement cost). This approach assumes that the fair value would not exceed what it would cost a market participant to acquire or construct a substitute asset or comparable utility, adjusted for obsolescence.

Recurring and Nonrecurring Fair Value Measurements

The Corporation has cumulative capital credit notifications from OPC totaling $50,247,249 and $47,027,075 as of December 31, 2013 and 2012 respectively. OPC assigns patronage capital on a calendar year basis. The Corporation has elected to account for OPC capital credits as financial instruments under U.S. GAAP, based on an expectation of a return of capital, and measures these capital credits at fair value on an annual basis (recurring fair value measurement) using significant unobservable inputs (Level 3). No market data exists for these instruments.

The Corporation had no nonrecurring fair value measurements for the years ended August 31, 2014 and 2013, respectively.

(14) Fair Value of Financial Instruments (Continued)

Recurring fair value measurements included in the financial statements are as follows:

	Carrying Value as of August 31	Fair Value Measurements Using: Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Gains (Losses)
2014					
Recurring Fair Value Measurement					
Investments in Associated Organizations OPC Capital Credits	**$ -**			**$ -**	**$ -**
2013					
Recurring Fair Value Measurement					
Investments in Associated Organizations OPC Capital Credits	$ -			$ -	$ -

Unobservable inputs are inputs that reflect management's own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances.

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

	2014	2013
Beginning Balance	**$ -**	$ -
Transfers into Level 3	**-**	-
Total Gains or Losses for the Period		
Included in Margins		
Patronage Notifications	**3,176,780**	2,869,583
Fair Value Adjustment(s)	**(3,176,780)**	(2,869,583)
Purchases, Issues, Sales and Settlements	**-**	-
Ending Balance	**$ -**	$ -

Gains and losses included in earnings for each period are presented as a component of generation and transmission cooperative capital credits in statements of revenue.

For Level 3 fair value measurements, the Corporation's management determines the fair value measurement valuation policies and procedures. In accordance with board policy, the board of directors assess and approve the fair value measurement policies and procedures. On an annual basis, management determines if the current valuation techniques used in the fair value measurements are still appropriate and evaluates and adjusts the unobservable inputs used in the fair value measurements based on current market conditions and any available third-party information. There were no changes in the valuation techniques during the current year.

(14) Fair Value of Financial Instruments (Continued)

Quantitative information about Level 3 fair value measurements for the years ended August 31, 2014 and 2013 is as follows:

Financial Instrument	Fair Value	Valuation Technique	Unobservable Input	Percentage
OPC Capital Credits	$-0-	Discounted Cash Flow	Expected Return of Capital	0.0%

The significant unobservable input used in the fair value measurement of the Corporation's OPC capital credits is an expected return of capital. Management has assessed that no expected return of capital exists based on the following factors:

- Uncertainty as to return of capital since no capital has been returned in recent years.
- Capital returns limited by debt agreements.
- Review of major construction and related debt requirements.
- Regulatory environment.
- No known market.

An increase in the percentage of expected capital returns would result in a significantly higher fair value measurement.

Other Fair Value Disclosures Required by U.S. GAAP

A summarized schedule of the Corporation's financial instruments is as follows:

		August 31, 2014		August 31, 2013	
	Technique	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
FINANCIAL ASSETS					
Other Investments					
NRUCFC Medium-Term Notes	(1)	**-**	**-**	23,900,000	23,900,000
Not Practicable to Estimate Fair Value	N/A	**614,922**	**614,922**	596,003	596,003
Cash and Cash Equivalents	(1)	**57,866,605**	**57,866,605**	57,862,599	57,862,599
Short-Term Investments					
NRUCFC Commercial Paper	(1)	**47,318,700**	**47,318,700**	46,514,000	46,514,000
NRUCFC Medium-Term Notes	(1)	**23,900,000**	**23,900,000**	-	-
FINANCIAL LIABILITIES					
Long-Term Debt	(1)	**240,919,523**	**249,548,485**	255,056,359	265,064,067
Consumer Deposits	(1)	**18,387,941**	**18,387,941**	18,663,822	18,663,822

(14) Fair Value of Financial Instruments (Continued)

Investments in other cooperative organizations, excluding OPC capital credits, which are included in investments in associated organizations, represent capital investments made primarily to obtain an economical source of financing, product or service. These investments were made without an expectation of a return of capital and therefore not considered to be financial instruments. Furthermore, the Corporation does not consider NRUCFC term certificates to be financial instruments due to the fact that these investments are directly related to borrowing.

The fair value of the Corporation's long-term debt is based on the current rates offered to the Corporation for debt of the same or similar maturities.

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October 24, 2014

**REPORT OF INDEPENDENT ACCOUNTANTS
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
GreyStone Power 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 financial statements of **GreyStone Power Corporation**, which comprise the balance sheet as of August 31, 2014, and the related statements of revenue, changes in members' equity, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 24, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered GreyStone Power 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of GreyStone Power 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 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 GreyStone Power Corporation's 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 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*.

We issued a separate report dated October 24, 2014 as required by the Rural Utilities Service.

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

McNair, McLemore, Middlebrooks & Co., LLC

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October 24, 2014

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

The Board of Directors
GreyStone Power 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 financial statements of **GreyStone Power Corporation** (the Corporation), which comprise the balance sheet as of August 31, 2014 and the related statements of revenue, changes in members' equity and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 24, 2014. In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2014 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 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);

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

McNAIR, McLEMORE, MIDDLEBROOKS & CO., LLC

EXHIBIT A

GREYSONE POWER CORPORATION
SCHEDULE OF INVESTMENTS
AS OF AUGUST 31, 2014

OTHER INVESTMENTS

Name	Type of Organization	Principal Business	Ownership Interest	Investment	Return on Investment for Year Ended August 31, 2014 (Equity Method)
GEMC 220, LLC	Limited Liability Company	Communications	20%	$ 14,539	$ (7,272)
Cooperative Choice, LLC	Limited Liability Company	Security	33%	600,383	656,211
				$ 614,922	$ 648,939

EXHIBIT B

GREYSTONE POWER CORPORATION
MATTERS TO BE COMMUNICATED WITH THE BOARD OF DIRECTORS
AUGUST 31, 2014

Auditors' Responsibility Under Generally Accepted Auditing Standards

As stated in our engagement letter, the auditors are responsible for forming and expressing an opinion about whether the financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles in the United States of America. The audit of the financial statements does not relieve management or those charged with governance for 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 dated August 1, 2014.

Significant Accounting Policies

Management is responsible for the selection of appropriate accounting policies. The significant accounting policies used by GreyStone Power Corporation are outlined in Note 1 to the financial statements. The Corporation did not adopt any new standards under U.S. GAAP during the year ended August 31, 2014.

We noted no transaction entered into by the Corporation during the year for which there is a lack of authoritative guidance or consensus.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the 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 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 financial statements were:

- Allocations for construction work in progress
- Useful lives of utility plant
- Reserve for uncollectible accounts
- Expense accruals
- Actuarial assumptions for postretirement 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 financial statements.

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 August 31, 2014. There were no significant uncorrected misstatements, material or immaterial.

Disagreements with Management

For purposes of this letter, 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 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 October 24, 2014.

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 auditors. 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.

Restriction of Use

This report is intended solely for the information and use of the board of directors, management, and the 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.