2013 Annual Report

Connected
to the members we serve

GREYSTONE POWER CORPORATION
An Electric Membership Corporation

connected

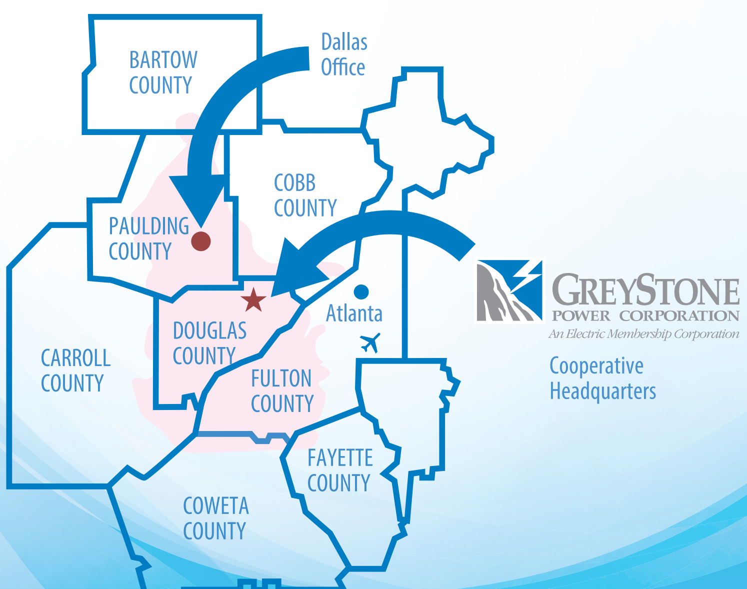
Corporate Profile

GreyStone Power is a member-owned, not-for-profit electric cooperative, serving portions of eight west metro Atlanta counties. We provide electricity to almost 116,000 homes, businesses, schools and industries.

Who is a Member?

If you receive a bill each month from GreyStone Power, you're a member — and an owner — of this electric cooperative. That's because GreyStone Power is owned by the people it serves. Staying connected with the people we serve is at the center of everything we do.

Connected to THE MEMBERS WE SERVE



Our Mission:

To provide reliable and cost-competitive electric and related services that position the cooperative as the utility of choice.

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At A Glance

Statistics at the end of each year

	NUMBER OF METERS	OPERATING REVENUE	MILES OF LINE	KILOWATT-HOURS SOLD
1973	24,500	$ 4,929,765	2,133	280,297,789
1983	36,356	$ 26,371,021	2,607	490,488,478
1993	57,011	$ 73,002,445	3,551	915,026,979
2003	89,294	$137,410,446	5,214	1,846,995,358
2013	117,471	$263,471,663	6,712	2,622,611,331

Connected to THE MEMBERS WE SERVE

Executive Message

Almost all of us enjoy being well-connected. Whether we're plugged in to a social network of good friends, family members or business associates, most of us want to be connected to people who truly care about us and about serving our needs.

At GreyStone Power, we're focused on keeping our members' needs at the center of our business decisions and goals. In 2013, industry researchers saw measurable results for this effort, with overall member satisfaction rising from 8.85 in 2012 to 8.91 in 2013 on a scale of 1 to 10, with 10 being the best.

This — along with many other achievements — leads us to be more optimistic than ever about the future of GreyStone Power. It was a banner year for us.

Financials were under budget in every category during 2013, which is a testimony to every employee's dedication to cost management.

Reliable power was challenged during unusual back-to-back winter storms. Yet, employees did whatever it took to restore power quickly and safely, often leaving their own families.

New automated switching devices staffed by experienced dispatchers help restore power more quickly, as well.

Our linemen once again captured top honors at the International Lineman's Rodeo, bringing home first place in the electric cooperative division and fourth place overall.

The cost of power was another central focus, and it continues to be, as the Environmental Protection Agency (EPA) has proposed changes that would significantly impact electricity prices. By the end of 2013, members of GreyStone Power had sent more than 3,300 messages to the EPA, asking for an energy strategy that would balance protecting the environment with affordable electricity.

According to the Georgia Public Service Commission, GreyStone had one of the lowest residential rates in the state in 2013. During the summer, an average residential member paid almost $22 less per month than an average residential Georgia Power customer.

This message, along with a series of others, was communicated through an advertising effort that received the highest honor in electric cooperative communication — the Edgar F. Chesnutt award. This national honor is an indication of GreyStone Power's ongoing commitment to excellence.

Because we truly care, we're connected to the members we serve, now more than ever.

J. Calvin Earwood

Calvin Earwood
Chairman of the Board

Gary Miller

Gary Miller
President/CEO

Connected through TECHNOLOGY

Convenience

Today's consumers are looking for easy-to-use methods of doing business, and one of the most successful ones in 2013 was a prepay option. More than 6,200 members chose to prepay their bills, helping to keep their budgets in check and eliminating any concerns about paying their bills on time.

The number of members using self-service options increased 28 percent from 2012 to 2013.

The shift to better serve members by offering more automated options has allowed people to do business when it's convenient for them. The change also helps manage operating costs, as less time is required by GreyStone Power employees to resolve issues.

WIN BIG

To encourage people to take advantage of GreyStone's self-service options, two WIN BIG contests offered seven lucky members prizes, including bill credits that ranged from $50 to $400 and an iPad mini.

Economic development team members Wayne Glover (L) and Ed Cahill work to attract new businesses and support existing ones.

Connecting online

As more and more people do business online, our recently updated website experienced 50 percent more visits than ever before.

Online social media connections also increased, with Facebook "likes" passing the 3,000 mark. In 2013, we launched a Pinterest page, providing another way GreyStone members can connect with their cooperative.

2011-2012 Douglas County Teacher of the Year and GreyStone Power member Jaslyn Dukes and her daughter, Ayden, regularly connect with online learning tools.

Connected through COMMUNITY

Intricately linked with the local community, GreyStone Power employees raised more than $7,700 for **Relay For Life,** an event that raises money for the American Cancer Society, and **Gabe's Chemo Duck,** a cuddly companion that provides huggable hope to alleviate fear and anxiety for children living with cancer.

Employees used "dress-down" days, a charity luncheon, flea market and individual pledges to fund the effort. United Way donations and employee pledges totaled more than $12,000, supporting charitable organizations throughout the service area.

GreyStone Power employees also helped host blood drives in honor of former lineman Travis Allen.

The cooperative sponsored numerous community events and efforts, including the **Douglas County Partners in Education** program.

A number of local young people had the opportunity to develop their leadership skills through programs in which GreyStone Power participates.

Five high school students represented GreyStone on the **Washington Youth Tour.** They included Charmi Patel, Stephanie Pierre, Meaghan Shaughnessy, Maenishia Simmons and Yee Aung. Doris Ijeoma was tapped to attend the **Georgia Cooperative Council's Youth Leadership Conference.**

GreyStone also awarded **five $3,000 scholarships and one $2,500 scholarship** to those getting ready for college and those already enrolled. Recipients included Joshua Barnett, Sarah Kim, Tyler Willingham, Jordan Gunnell, Kelsey Dobbs and Abiodun Ayanyinka.

Energy efficiency for all

The cooperative's annual meeting, which more than 3,200 members and their families attended, celebrated this commitment to community and featured an energy-efficency expo.

The event offered short "how-to" sessions, based on more comprehensive **Energy Efficiency 101 Seminars** offered at other times during the year. Hundreds of members attended those seminars.

Our employee community

GreyStone Power employees took opportunities to improve their health and leadership skills in 2013.

Through Weight Watchers, 40 employees lost a combined 464 pounds by the end of June. Several others quit smoking during the year through a smoking cessation program.

In April, the **GreyStone University Resource Center** library opened. Soon after, classes helped employees develop job-related skills.

Connected to THE MEMBERS WE SERVE

There was a time when the primary way we connected was face to face, person to person. Now, with the help of technology, we can connect anytime, anywhere with services that go far beyond keeping the lights on. The following ancillary services help make that connection:

EMC Security

- 24-hour protection with no long-term contract at $16.95 per month;
- fastest response times in the industry;
- Secure Path™ technology connects home security cameras, lighting and HVAC systems with or without a phone line.

Gas South

- Georgia's fastest-growing natural gas provider, serving more than 250,000 customers;
- a two-cents/therm discount for members who switch to Gas South;
- Online service and perks for members.

GEMC Federal Credit Union

Members and their families find a full range of financial services — from free checking and free ATM use, to high-dividend savings and low interest rates on home and auto loans.

Green Power EMC

In 2013, 295 GreyStone Power members bought 4,705 "blocks" of 150 kilowatt-hours to produce cleaner, greener energy for $5 a block, added to their electric bills.

Buying two monthly blocks secures enough green power to equal the environmental benefits of planting an acre of trees in Georgia. Information is available at *GreenPowerEMC.com*.

Powering business for the future

At the end of 2013, GreyStone had a total of four commercial and 14 residential photovoltaic members for a total of 121.9 KW of solar generation. The cooperative responded to 45 inquiries about potential solar projects.

Large commercial businesses that bring jobs and economic growth to the community also continue to be a focus. GreyStone helped recruit McMaster-Carr, worldwide supplier to industrial and commercial facilities, to the area in 2013. The cooperative will also be serving WellStar's Paulding Medical Center, another member won over by GreyStone Power.

From the 25,000-square-foot Wolf Creek Branch Library to new, family-owned small businesses, GreyStone Power is helping businesses, their owners, their customers and their employees succeed. It's one more powerful way we're connecting with the members we serve.

Lineman Travis Turner is part of GreyStone's model safety program showcased by both Georgia EMC and Federated Insurance.

Board of Directors

Calvin Earwood
Chairman, District 1

Gary Miller
President/CEO

John Walton
Vice Chairman, District 2

Milton Jones
District 7

Jennifer DeNyse
Secretary-Treasurer, District 5

Connected to THE MEMBERS WE SERVE


Charles Rutland
District 3
Maribeth Wansley
District 6
Burnell Redding
District 4
Ed Garrard
District 9
Jim Johns
District 8

GreyStone members saved over
$1.6 million
on prescriptions through the Co-op Connections® Card.

Co-op Connections® Card

More than
325
local businesses are offering discounts.

American Customer Satisfaction Index

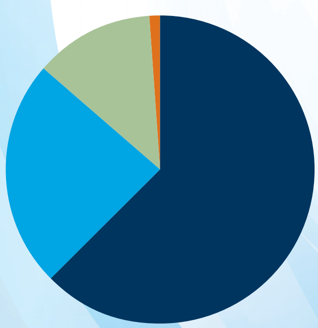
American Customer Satisfaction Index (ACSI) score rose from
83.75 in 2012
to **84.5** in 2013

GreyStone members sent
57%
of all messages from Georgia to the EPA and Congress, asking for a balanced energy policy.

3,200
people attended the co-op's annual meeting

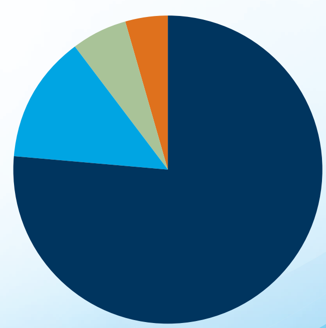
$3.5 million
in capital credits returned to members

Where the money comes from



- 62.77 % Residential
- 23.66 % Small Commercial
- 12.55 % Large Commercial
- 1.02 % Public Street and Highway Lighting

Where the money goes



- 76.51 % Purchased Power
- 13.37 % Operating Expenses
- 5.87 % Depreciation
- 4.25 % Interest

McNair, McLemore, Middlebrooks & Co., LLC
Certified Public Accountants
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www.mmmcpa.com
October 24, 2013

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, 2013 and 2012, 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.

Auditor's Responsibilities
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, 2013 and 2012, 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, 2013 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

ASSETS

	2013	2012
Utility Plant		
Electric Plant in Service-At Cost	$ 432,650,814	$ 415,743,582
Construction Work in Progress	7,476,639	11,395,623
Gross Utility Plant	440,127,453	427,139,205
Accumulated Provision for Depreciation	(96,453,486)	(88,133,811)
	343,673,967	339,005,394
Other Property and Investments		
Investments in Associated Organizations	21,526,762	20,388,201
Other Investments	24,496,003	595,994
	46,022,765	20,984,195
Current Assets		
Cash and Cash Equivalents	58,695,467	38,843,144
Short-Term Investments	-	23,900,000
Accounts Receivable (Net of Accumulated Provision for Uncollectibles of $992,168 2013 and $816,343 in 2012)	22,949,797	24,408,931
Materials and Supplies	3,846,500	2,991,962
Prepayments	2,387,071	12,383,520
Other	1,561,514	1,289,289
	89,440,349	103,816,846
Deferred Debits	17,774,829	1,239,128
Total Assets	$ 496,911,910	$ 465,045,563

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

MEMBERS' EQUITY and LIABILITIES

	2013	2012
Members' Equity		
Membership Fees	$ 1,051,885	$ 1,035,085
Patronage Capital	192,191,047	183,175,294
Other	6,838,249	6,416,103
	200,081,181	190,626,482
Long-Term Debt	245,985,359	218,954,589
Current Liabilities		
Current Portion of Long-Term Debt	9,071,000	7,962,000
Accounts Payable	12,834,316	19,535,206
Consumer Deposits	18,663,822	18,218,833
Other	8,265,020	8,983,188
	48,834,158	54,699,227
Deferred Credits	2,011,212	765,265
Total Members' Equity and Liabilities	$496,911,910	$465,045,563

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

Statement of Revenue for the Years Ended August 31

	2013	2012
Operating Revenues	$263,471,663	$258,878,573
Operating Expenses		
Cost of Power	194,477,697	195,216,078
Distribution Operations	7,205,222	8,013,445
Distribution Maintenance	7,934,907	7,260,920
Consumer Accounts	6,754,274	8,386,623
Consumer Information and Sales	1,655,603	1,758,503
Administrative and General	10,142,471	15,018,170
Depreciation	14,923,512	13,542,509
Total Operating Expenses	243,093,686	249,196,248
Operating Margins Before Interest Expense	20,377,977	9,682,325
Interest Expense	10,811,040	11,142,438
Operating Margins	9,566,937	(1,460,113)
Nonoperating Margins	2,105,633	1,776,931
Generation and Transmission Cooperative Capital Credits	1,114,968	1,133,094
Other Capital Credits and Patronage Capital Allocations	364,664	492,845
Net Margins	$ 13,152,202	$ 1,942,757

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

Statements of Changes in Members' Equity for the Years Ended August 31, 2013 and 2012

	Total Equities	Membership Fees	Patronage Capital	Other Equities
Balance, August 31, 2011	$195,588,283	$1,034,110	$189,561,204	$4,992,969
Net Margins	1,942,757	-	1,942,757	-
Membership Fees	975	975	-	-
Donated Capital	43,400	-	-	43,400
Retirement of Patronage Capital	(8,328,667)	-	(8,328,667)	-
Retired Capital Credit Gains	1,379,734	-	-	1,379,734
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	16,800	16,800	-	-
Donated Capital	67,986	-	-	67,986
Retirement of Patronage Capital	(4,136,449)	-	(4,136,449)	-
Retired Capital Credit Gains	354,160	-	-	354,160
Balance, August 31, 2013	**$200,081,181**	**$1,051,885**	**$192,191,047**	**$6,838,249**

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

Statement of Cash Flows for the Years Ended August 31

	2013	2012
Cash Flows from Operating Activities		
Net Margins	$ 13,152,202	$ 1,942,757
Adjustments to Reconcile Net Margins to Net Cash Provided by Operating Activities		
Depreciation	15,178,169	14,017,996
Amortization of Pension Plan Prepayment	741,325	-
Bad Debt Provision	610,491	807,588
Patronage Capital from Associated Organizations	(1,546,935)	(1,625,939)
Equity in Earnings from Partnership Interests	(486,420)	(491,145)
Net Postretirement Benefit Cost	(284,894)	1,193,789
Prepaid Power Applied	18,589,379	10,000,000
Postretirement Healthcare Plan Contributions	(298,527)	(317,949)
Voluntary Prepaid Pension Contribution *(See Note 6)*	(11,119,873)	-
Change In		
Accounts Receivable	848,643	2,443,923
Prepaid Power	(14,713,920)	(12,000,000)
Other Current Assets	(1,164,141)	(48,216)
Accounts Payable	(6,700,890)	(1,481,375)
Other Current Liabilities	(435,770)	153,057
Deferred Credits	1,245,947	(694,111)
	13,614,786	13,900,375
Cash Flows from Investing Activities		
Extension and Replacement of Plant	(19,846,742)	(16,755,583)
Deferred Debits	1,156,767	916,242
Materials and Supplies	(854,538)	(91,742)
Change in Short-Term and Other Investments	-	4,600,000
Return of Equity	866,097	780,713
	(18,678,416)	(10,550,370)
Cash Flows from Financing Activities		
Advances from Long-Term Debt	40,233,301	12,000,000
Advanced Payments on Long-Term Debt Unapplied	(755,045)	(722,197)
Principal Repayment of Long-Term Debt	(11,338,486)	(7,891,524)
Retirement of Patronage Capital	(4,136,449)	(8,328,667)
Other	912,632	2,391,849
	24,915,953	(2,550,539)
Net Increase in Cash and Cash Equivalents	19,852,323	799,466
Cash and Cash Equivalents - Beginning	38,843,144	38,043,678
Cash and Cash Equivalents - Ending	$ 58,695,467	$ 38,843,144
Supplemental Disclosure of Cash Flow Information		
Cash Payments of Interest	$ 10,693,635	$ 11,831,382

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.

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 6.17 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 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.

Equities and Margins
The Corporation is organized and operates under the cooperative form of organization. As such, patronage capital or margins are allocated to patrons on the basis of individual consumption of electric energy. Under provisions of the long-term debt agreements, until the total equities and margins equal or exceed 30 percent of the total assets of the Corporation, the return to patrons of capital contributed by them is limited. The Corporation's equities were 40 and 41 percent of total assets as of August 31, 2013 and 2012, 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 $12,004,000 and $11,781,000 as of August 31, 2013 and 2012, 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, 2013. Accordingly, no provision for income taxes has been made in the financial statements.

The Corporation's federal information returns for the tax years ended December 31, 2012, 2011 and 2010 are subject to examination by the Internal Revenue Service (IRS).

Fair Value of Financial Instruments
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. Quoted prices from active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Quoted prices in active markets provide the most reliable evidence of fair value and shall be used to measure fair value whenever available. Level 1 primarily consists of financial instruments that are exchange-traded.

- Level 2. Pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. Level 2 includes financial instruments that are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Level 2 primarily consists of financial instruments that are nonexchange-traded but have significant observable inputs.

- Level 3. Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may include internally developed methodologies that result in management's best estimate of fair value. Level 3 financial instruments are those whose fair value is based on significant unobservable inputs.

Financial instruments include cash and cash equivalents, short-term and other investments, accounts receivable, long-term debt, accounts payable and other current liabilities. The carrying value of cash and cash equivalents, short-term and other investments, accounts receivable, accounts payable and other accrued liabilities approximates fair value because of the short maturity of those instruments. The carrying value of long-term debt approximates fair value; additional information pertinent to its value is provided in the footnote for long-term debt *(See Note 10)*.

Investments in associated organizations represent nontransferable interest in associated organizations. The right to receive cash is an inherent component of a financial instrument. The Corporation holds no right to receive cash since any payments are at the discretion of the governing body for the associated organizations. As such, patronage capital from associated organizations is not considered a financial instrument. Furthermore, the Corporation considers National Rural Utilities Cooperative Finance Corporation (NRUCFC) certificates to be directly related to borrowing and the fair value of the investments not determinable. Investments in associated organizations are carried at cost *(See Note 3)*.

Reclassifications
Certain reclassifications have been made within the August 31, 2012 financial statements to conform to the August 31, 2013 presentation. The reclassifications had no effect on net margins for the year ended August 31, 2012.

Subsequent Events
In preparing these financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through October 24, 2013, 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:

	2013	2012
Distribution Plant	$391,371,671	$374,940,829
General Plant	41,279,143	40,802,753
Electric Plant in Service	432,650,814	415,743,582
Construction Work in Progress	7,476,639	11,395,623
	$440,127,453	$427,139,205

(3) Investments in Associated Organizations

	2013	2012
National Rural Utilities Cooperative Finance Corporation		
Capital Term Certificates	$ 1,774,240	$ 1,802,937
Capital Credits	898,876	866,579
Georgia Rural Electric Service Corporation		
Capital Credits	1,628,049	1,588,830
Georgia Transmission Corporation		
Contributed Capital	2,860,384	2,860,384
Capital Credits	11,075,081	10,088,940
Smarr EMC		
Contributed Capital	318,393	318,393
Capital Credits	1,732,543	1,701,970
Other	1,239,196	1,160,168
	$21,526,762	$20,388,201

(4) Other Investments

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

	2013	2012
Investment in GEMC 220, LLC	$ 21,811	$ 21,811
Investment in Cooperative Choice, LLC	574,192	574,183
NRUCFC Medium-Term Notes Maturing in Excess of One Year	23,900,000	-
	$24,496,003	$595,994

The Corporation accounts for its investments in GEMC 220, LLC and Cooperative Choice, LLC utilizing the equity method. For the year ended August 31, 2013, the Corporation recorded income of $486,420, 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 $8,124,541 and $12,000,000 as of August 31, 2013 and 2012, respectively. Based on maturity dates provided to the wholesale power provider, those amounts are classified as follows on the balance sheets:

	2013	2012
Prepayments	$ 810,621	$12,000,000
Deferred Debits	7,313,920	-
	$ 8,124,541	$12,000,000

(6) Deferred Debits

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

	2013	2012
Voluntary Prepaid Pension Contribution	$ 10,378,548	$ -
Prepaid Power in Excess of One Year *(See Note 5)*	7,313,920	-
Transportation Clearing	28,856	850,269
Long-Range Work Plans	50,374	65,109
Headquarters Roof Repair	-	323,750
Other	3,131	-
	$17,774,829	$1,239,128

The voluntarily prepaid pension contribution to the National Rural Electric Cooperative Association (NRECA) Retirement Security Plan (RS Plan) of $11,119,873 was made in July 2013. The prepayment was equivalent to approximately 2.5 times the calendar year 2013 annual required contribution and will be amortized over 120 months in accordance with the guidance provided by RUS. The Corporation began amortizing the amount effective January 1, 2013. A more detailed description of the RS Plan is provided in *Note 11*.

(7) Deferred Credits

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

	2013	2012
Benefits Clearing	$ 1,396,377	$ 335,718
Marketing Incentives	202,435	174,135
Unearned Pole Rental Income	236,301	240,635
Other	176,099	14,777
	$ 2,011,212	$ 765,265

(8) Patronage Capital

	2013	2012
Assignable	$ 7,778,517	$ 2,738,500
Assigned	248,927,224	240,815,039
	256,705,741	243,553,539
Retired	(64,514,694)	(60,378,245)
	$192,191,047	$183,175,294

(9) Other Equities

	2013	2012
Nonoperating Margins	$ 50,517	$ 50,517
Operating Margins	56,714	56,714
Donated Capital	471,169	403,183
Gain on Retired Capital Credits	6,260,740	5,906,580
Capital Losses	(891)	(891)
	$ 6,838,249	$ 6,416,103

(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.

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

Holder of Note	Weighted Average Interest Rate	2013	2012
RUS	4.95%	$ 89,532,135	$ 92,084,123
NRUCFC	5.65%	9,532,443	13,289,880
FFB	3.78%	157,501,948	120,588,229
CoBank	4.59%	14,125,494	15,834,973
		270,692,020	241,797,205
Maturities Due Within One Year		(9,071,000)	(7,962,000)
		261,621,020	233,835,205
RUS Advance Payments Unapplied		(15,635,661)	(14,880,616)
		$245,985,359	$218,954,589

The Corporation's mortgage agreement requires the maintenance of certain financial ratios. The Corporation achieved all the required ratios at December 31, 2012, 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, 2013 and 2012. The Corporation also has a $20,000,000 line-of-credit at 2.84 percent with CoBank which had no outstanding balance as of August 31, 2013 and 2012.

Principal maturities of long-term debt range from $9,000,000 to $10,000,000 for the ensuing five years.

The Corporation has unadvanced loan funds totaling $44,504,698 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 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

Pension Plan (Defined Benefit)

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.

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 $4,213,859 and $3,891,455 for the years ended August 31, 2013 and 2012, 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, 2013 and was between 65 and 80 percent funded at January 1, 2012 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.

Future contributions to the RS Plan will be affected by the prepayment discussed in *Note 6*.

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 $94,576 and $94,909 for the years ended August 31, 2013 and 2012, respectively.

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:

	2013	2012
Accumulated Postretirement Benefit Obligation, Beginning	$23,929,323	$21,574,000
Service Cost	832,650	548,800
Interest Cost	941,857	1,048,400
Change in Actuarial Assumptions	(1,326,821)	1,076,072
Actual Benefits Paid	(298,527)	(317,949)
Accumulated Postretirement Benefit Obligation, Ending	24,078,482	23,929,323
Fair Value of Plan Assets, Beginning	23,646,925	22,167,442
Contributions	298,527	317,949
Actual Benefits Paid	(298,527)	(317,949)
Actual Return on Plan Assets	732,580	1,479,483
Fair Value of Plan Assets, Ending	24,379,505	23,646,925
Over (Under) Funded	$ 301,023	$ (282,398)

The overfunded status of the plan is included in other current assets on the balance sheets as of August 31, 2013. The underfunded status of the plan is included in other current liabilities on the balance sheets as of August 31, 2012.

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

	2013	2012
Service Cost	$ 832,650	$ 548,800
Interest Cost	941,857	1,048,400
Actual Return on Plan Assets	(732,580)	(1,479,483)
Amortization of Actuarial (Gain) Loss	(1,326,821)	1,076,072
	$ (284,894)	$ 1,193,789

The Corporation's accumulated postretirement benefit obligation (APBO) and net postretirement benefit cost are calculated using various actuarial assumptions and methodologies. These are considered Level 3 fair value measurements. 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	2013	2012	2011
Discount Rate on Net Period Benefit Cost	4.00%	5.00%	4.90%
Discount Rate on Projected Benefit Obligation	4.90%	4.00%	5.00%
Healthcare Cost Trend Rate			
Initial	8.65%	8.00%	7.50%
Ultimate	5.65%	5.00%	5.00%
Fiscal Year Reached	2019	2018	2017

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	$ (4,324,887)	$5,679,903
Change in Sum of Service and Interest Costs	$ (367,933)	$ 497,506

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.

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

2014	$ 443,602
2015	478,351
2016	514,141
2017	556,932
2018	636,420
2019 - 2023	4,599,987

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
2013	5.63%	64.47%	6.81%	23.09%	100.00%
2012	8.98%	66.08%	4.71%	20.23%	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 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, 2014.

(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.

The most significant of these contracts and related fixed costs for the year ended August 31, 2013 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%	$ 2,265,410
Talbot EMC	12/31/2025	20.7685%	4,746,004
Doyle Facility	8/25/2015	3.7930%	727,655
All Other OPC Resources	12/31/2050	5.8921%	39,056,886
Smarr EMC			
Smarr Energy Facility	12/31/2014	6.9417%	519,115
Sewell Creek Energy Facility	12/31/2015	3.9080%	805,575

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, 2012 was approximately $38,700,000 and the Corporation's maximum potential obligation as of that dates was approximately $302,000. 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 $16,298,000 for year ended August 31, 2013 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 $6,516,000 for the year ended August 31, 2013.

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 $91,796,000 for the year ended August 31, 2013.

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 $2,092,000 for the year ended August 31, 2013. Costs related to this contract are expected to remain relatively constant in future years.

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 $1,290,000 capacity and energy payments for these generation assets in the year ended August 31, 2013.

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

As of August 31, 2013, commercial paper and medium-term notes of NRUCFC in the amount of $70,414,000 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 $7,570,932 as of August 31, 2013. 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.

GreyStone Power
Districts & the Counties Represented

District 1: Paulding and Bartow counties
District 2: Paulding County
District 3: Douglas and Paulding counties
District 4: Carroll and Douglas counties
District 5: Carroll and Douglas counties
District 6: Fulton, Fayette and Coweta counties
District 7: Fulton County
District 8: Douglas County
District 9: Cobb County

2013 Annual Report

Connected
to the members
we serve

GREYSTONE
POWER CORPORATION
An Electric Membership Corporation

GreyStone Power is an equal opportunity provider and employer.