

**HABERSHAM ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARY**  
**SCHEDULE OF DEFERRED DEBITS AND DEFERRED CREDITS**  
**APRIL 30, 2008**

<b>Deferred Debits</b>		
<u>Description</u>	<u>Amount</u>	<u>Regulatory Asset</u>
NRECA Past Service Costs	\$241,968	Yes
Transportation Clearing	6,782	No
Other	<u>406,088</u>	No
	<u>\$654,838</u>	
<b>Deferred Credits</b>		
<u>Description</u>	<u>Amount</u>	<u>Regulatory Liability</u>
Other	<u>\$127,541</u>	No

**HABERSHAM ELECTRIC MEMBERSHIP CORPORATION**  
**SCHEDULE OF INVESTMENTS**  
**APRIL 30, 2008**

**ASSOCIATED ORGANIZATIONS**

<u>Name</u>	<u>Type of Organization</u>	<u>Principal Business</u>	<u>Membership Fee</u>	<u>Capital Term Certificates</u>	<u>Contributed Capital</u>	<u>Capital Credits</u>	<u>Total</u>
National Rural Utilities Cooperative Finance Corporation	Cooperative	Financing Cooperative	\$1,000	\$754,514		\$ 222,383	\$ 977,897
Oglethorpe Power Corporation	Cooperative	Generation of Electricity				6,296,931	6,296,931
Georgia Transmission Corporation	Cooperative	Transmission of Electricity			\$703,736	1,224,390	1,928,126
Georgia Systems Operations Corporation	Cooperative	Generation and Transmission of Electricity				2,405	2,405
GRESKO Utility Supply, Inc.	Cooperative	Materials Supplier				370,945	370,945
Southeastern Data Cooperative, Inc.	Cooperative	Data Processing	100			110,049	110,149
Federated Rural Electric Insurance Exchange	Cooperative	Insurance				132,707	132,707
GEMC Workers' Compensation Fund	Cooperative	Insurance				67,026	67,026
Smarr EMC	Cooperative	Generation of Electricity			87,905	270,630	358,535
National Rural Telecommunications Cooperative	Cooperative	Communications				3,576	3,576
CoBank	Cooperative	Financing	1,000			97,890	98,890
Green Power EMC	Cooperative	Generation of Electricity	25				25
Georgia Energy Cooperative	Cooperative	Generation of Electricity	100		4,910		5,010
			<u>\$2,225</u>	<u>\$754,514</u>	<u>\$796,551</u>	<u>\$8,798,932</u>	<u>\$10,352,222</u>

**HABERSHAM ELECTRIC MEMBERSHIP CORPORATION**  
**SCHEDULE OF INVESTMENTS**  
**APRIL 30, 2008**

**OTHER INVESTMENTS**

<u>Name</u>	<u>Type of Organization</u>	<u>Principal Business</u>	<u>Ownership</u>	<u>Investment</u>	<u>Total Return on Investment for the Year</u>	<u>Total Return Life of Investment</u>
EMC Connections, Inc.	Corporation	Services	100%	<u>\$349,746</u>	<u>\$(3,937)</u>	<u>\$(572,076)</u>

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

**HABERSHAM ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARY  
MATTERS TO BE COMMUNICATED WITH THE BOARD OF DIRECTORS  
APRIL 30, 2008**

**Auditors' Responsibility Under Generally Accepted Auditing Standards**

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. The audit of the financial statements does not relieve management or those charged with governance for their responsibilities.

**Significant Accounting Policies**

There has been no change in the primary accounting policies of Habersham Electric Membership Corporation, except for the required implementation of SFAS No. 158.

**Management Judgments and Accounting Estimates**

Management utilizes industry guidelines and historical trends to make decisions regarding accounting estimates.

**Significant Audit Adjustments and Uncorrected Misstatements**

An entry was made to record other comprehensive income as required by SFAS No. 158. The impact of this entry is reflected in *Note 8* of the financial statements. This entry was made after the closing of the books but prior to financial statement preparation. Management was aware of the need to record the above information, but did not receive the needed actuarial information to record the data before closing the books. There were no significant uncorrected financial statement misstatements, material or immaterial.

**Other Information in Documents Containing Audited Financial Statements**

All information accompanying the financial statements has been subject to the same audit procedures as the basic financial statements, except as indicated on page 17.

**Disagreements with Management**

There were no disagreements with management relating to accounting practices or transactions.

**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**

No significant issues were discussed with management in connection with the retention of the auditor.

**Difficulties Encountered in Performing the Audit**

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

**BLUE RIDGE MOUNTAIN ELECTRIC MEMBERSHIP CORPORATION**

**YOUNG HARRIS, GEORGIA  
INDEPENDENT AUDITOR'S REPORT ON  
FINANCIAL STATEMENTS  
AS OF  
June 30, 2008**

**HERBERT E. ALLEN  
CERTIFIED PUBLIC ACCOUNTANT  
AMERICUS, GEORGIA**

## CONTENTS

	PAGE
Independent Auditor's Report	1
Report on Compliance and Internal Control	2 - 3
Financial Statements:	
Balance Sheets	4 - 5
Statement of Revenue and Patronage Capital	6
Statement of Cash Flows	7
Notes to Financial Statements	8 -14

# HERBERT E. ALLEN

CERTIFIED PUBLIC ACCOUNTANT

P.O. BOX 6936

131 THOMAS DRIVE

AMERICUS, GEORGIA 31709

OFFICE: 229-928-4008

FAX: 229-924-1532

heallenca@bellsouth.net

Member of the American Institute of  
Certified Public Accountants

Member of the Georgia Society of  
Certified Public Accountants

September 3, 2008

Board of Directors Blue Ridge Mountain Electric  
Membership Corporation  
P. O. Box 9  
Young Harris, Georgia 30582

## Independent Auditor's Report

We have audited the accompanying balance sheets of Blue Ridge Mountain Electric Membership Corporation as of June 30, 2008 and 2007, and the related statements of revenue and patronage capital, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the Standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Blue Ridge Mountain Electric Membership Corporation at June 30, 2008 and 2007, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

In accordance with Government Auditing Standards, we have also issued our report date September 3, 2008, (page 3 attached) on our consideration of Blue Ridge Mountain Electric Membership Corporation's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

  
Herbert E. Allen, CPA

# HERBERT E. ALLEN

CERTIFIED PUBLIC ACCOUNTANT

P.O. BOX 6936

131 THOMAS DRIVE

AMERICUS, GEORGIA 31709

OFFICE: 229-928-4008

FAX: 229-924-1532

heallencpa@bellsouth.net

Member of the American Institute of  
Certified Public Accountants

Member of the Georgia Society of  
Certified Public Accountants

September 3, 2008

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors Blue Ridge Mountain Electric  
Membership Corporation  
P.O. Box 9  
Young Harris, Georgia 30582

We have audited the financial statements of Blue Ridge Mountain Electric Membership Corporation as of and for the years ended June 30, 2008 and 2007, and have issued our report thereon dated September 3, 2008. We conducted our audit in accordance with auditing standards and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered Blue Ridge Mountain Electric Membership Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Blue Ridge Mountain Electric Membership Corporation's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of Blue Ridge Mountain Electric Membership Corporation's internal control over financial reporting.

A control deficiency exists when the design or operation does not allow management or employees, in normal course of performing their assigned functions to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Blue Ridge Mountain Electric Membership Corporation's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such there is more than a remote likelihood that a misstatement of Blue Ridge Mountain Electric Membership Corporation's financial statements that is more than inconsequential will not be prevented or detected by Blue Ridge Mountain Electric Membership Corporation's internal control.

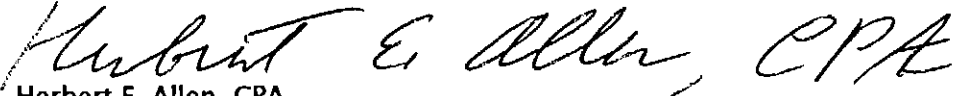


Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and other Matters

As part of obtaining reasonable assurance about whether Blue Ridge Mountain Electric Membership Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of law, 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*.

This report is intended for the information of the audit committee, management, others within the organization, the Rural Utilities Service 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.

  
Herbert E. Allen, CPA

**BLUE RIDGE MOUNTAIN ELECTRIC MEMBERSHIP CORPORATION**

**YOUNG HARRIS, GEORGIA**  
**Balance Sheets as of June 30:**

**ASSETS (NOTES #2 & #3)**

	<u>2008</u>	<u>2007</u>
<b>UTILITY PLANT: (Note #4)</b>		
Electric plant in service - (At Cost)	\$137,922,963	\$122,724,476
Construction work in progress	3,455,536	8,274,520
	<u>\$141,378,499</u>	<u>\$130,998,996</u>
Less: Accumulated Provisions for Depreciation	46,520,134	42,963,787
Net Utility Plant	<u>\$ 94,858,365</u>	<u>\$ 88,035,209</u>
<b>OTHER PROPERTY AND INVESTMENTS: (At Cost)</b>		
Non - Utility Property (Note #6)	\$ 12,038,476	\$ 5,527,150
Investments in Associated Organizations (Note #5)	1,023,974	1,018,025
Weatherization Notes Receivable - Long Term	1,032,664	929,417
	<u>\$ 14,095,114</u>	<u>\$ 7,474,592</u>
<b>CURRENT ASSETS:</b>		
Cash & Cash Equivalents	\$ 1,699,059	\$ 2,737,466
Weatherization Notes Receivable - Current	427,515	301,764
Accounts Receivable - (less provisions for doubtful accounts of \$106,083 in 2007 and and \$120,790 in 2008) (Note 14)	6,252,127	5,591,846
Materials and Supplies (At Average Cost)	2,258,617	1,464,743
Other Current and Accrued Assets	1,427,268	1,225,701
	<u>\$ 12,064,586</u>	<u>\$ 11,321,520</u>
<b>DEFERRED DEBITS AND OTHER ASSETS:</b>		
Other Deferred Charges (Note #7)	\$ 1,836,657	\$ 1,988,247
	<u>\$122,854,722</u>	<u>\$108,819,568</u>

The accompanying notes are an integral part of this statement.

BLUE RIDGE MOUNTAIN ELECTRIC MEMBERSHIP CORPORATION

YOUNG HARRIS GEORGIA

Balance Sheets as of June 30:

EQUITIES AND LIABILITIES

	<u>2008</u>	<u>2007</u>
<b>EQUITIES AND MARGINS: (Note #8)</b>		
Memberships fees	\$ 211,680	\$ 207,535
Patronage Capital	30,280,147	29,541,015
Other Equities	17,856	14,274
	<u>\$ 30,509,683</u>	<u>\$ 29,762,824</u>
<b>LONG-TERM OBLIGATIONS:</b>		
Long-Term Debt (Note #9)		
RUS Mortgage Notes	\$ 31,333,038	\$ 29,422,185
CFC Mortgage Notes	6,066,759	6,344,078
FFB Mortgage Notes	28,502,512	27,031,866
	<u>\$ 65,902,309</u>	<u>\$ 62,798,129</u>
Accumulated Post Retirement Benefit Obligations (Note #11)	3,012,959	2,847,700
	<u>\$ 68,915,268</u>	<u>\$ 65,645,829</u>
<b>CURRENT LIABILITIES:</b>		
Current Maturities of Long Term Debt	\$ 1,817,000	\$ 1,588,000
Notes Payable	\$ 8,600,000	\$ 500,000
Accounts Payable	9,031,512	7,530,736
Consumer Deposits	3,129,555	2,992,205
Other Current and Accrued Liabilities	851,704	782,623
	<u>\$ 23,429,771</u>	<u>\$ 13,393,564</u>
<b>DEFERRED CREDITS AND OTHER LIABILITIES:</b>		
Other Deferred Credits (Note #18)	\$ - 0 -	\$ 17,351
	<u>\$ 122,854,722</u>	<u>\$ 108,819,568</u>

The accompanying notes are an integral part of this statement.

BLUE RIDGE MOUNTAIN ELECTRIC MEMBERSHIP CORPORATION

YOUNG HARRIS, GEORGIA

Statement of Revenue and Patronage Capital

For the Years Ended June 30:

	<u>2008</u>	<u>2007</u>
OPERATING REVENUE AND PATRONAGE CAPITAL (Note #14)	\$ 62,477,012	\$ 59,057,314
OPERATING EXPENSES:		
Cost of Power (Note #12)	\$ 41,373,895	\$ 38,823,984
Distribution Expense - Operations	2,294,319	1,923,399
Distribution Expense - Maintenance	3,362,795	3,456,853
Consumer Account Expense	2,734,060	2,517,759
Administrative and General Expense	2,726,213	2,779,311
Depreciation Expense	4,360,760	3,921,203
Taxes	965,721	895,278
	<u>\$ 57,817,763</u>	<u>\$ 54,317,787</u>
OPERATING MARGINS BEFORE FIXED CHARGES:	\$ 4,659,249	\$ 4,739,527
Interest on Long Term Debt	3,616,171	2,896,188
	<u>\$ 1,043,078</u>	<u>\$ 1,843,399</u>
Capital Credits Received	156,155	73,227
NET OPERATING MARGINS:	<u>\$ 1,199,233</u>	<u>\$ 1,916,566</u>
NON OPERATING MARGINS:		
Interest and Dividends Income	\$ 332,216	\$ 393,445
Other Income (Loss)	(792,317)	(587,054)
	<u>\$ (460,101)</u>	<u>\$ 193,609</u>
NET MARGINS FOR THE PERIOD:	\$ 739,132	\$ 1,722,957
PATRONAGE CAPITAL - BEGINNING OF YEAR	<u>29,541,015</u>	<u>27,818,058</u>
PATRONAGE CAPITAL - END OF YEAR	<u>\$ 30,280,147</u>	<u>\$ 29,541,015</u>

The accompanying notes are an integral part of this statement.

**BLUE RIDGE MOUNTAIN ELECTRIC MEMBERSHIP CORPORATION**

YOUNG HARRIS, GEORGIA

Statement of Cash Flows

For the Years Ended June 30:

	2008	2007
Increase (Decrease) in Cash and Cash Equivalents		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income	\$ 739,132	\$ 1,722,957
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization – Electric	\$ 5,280,564	\$ 4,756,152
Depreciation & Amortization – Internet	332,194	208,493
Capital Credits and Investments	(5,949)	(961)
Changes in Assets and Liabilities:		
Increase in Notes Receivable	(125,751)	(42,566)
Increase in Accounts Receivable	(660,281)	(423,273)
Decrease in Material and Supplies	(793,874)	61,043
Increase in Other Current Assets	(201,567)	(56,303)
Increase in Deferred Charges	151,590	(1,552,173)
Increase in Notes Payable – Current	8,100,000	500,000
Increase in Accounts Payable	1,500,776	187,743
Increase in Employee Benefit Obligations	165,259	1,683,452
Increase in Consumer Deposits	137,350	168,945
Increase in Current Liabilities	69,081	27,576
Decrease in Deferred Credits	(17,351)	(14,019)
Total Adjustments	\$ 13,932,041	\$ 5,504,109
Net Cash Provided by Operating Activities	\$ 14,671,173	\$ 7,227,066
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Plant Additions	\$ (11,750,009)	\$ (18,865,949)
Salvage from Plant Retirements	448,072	313,360
Additions to Internet Venture	(6,843,520)	(3,416,288)
Increase in L/Term Notes	(103,247)	(215,481)
Plant Removal Cost	(801,783)	(427,100)
Net Cash Used in Investing Activities	\$ (19,050,487)	\$ (22,611,458)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loan Advances	\$ 4,978,000	\$ 15,000,000
Long-Term\ Loan Repayments	(1,644,820)	(1,394,867)
New Memberships (net)	4,145	4,480
Increase – Other Equities	3,582	3,312
Net Cash From Financing Activities	\$ 3,340,907	\$ 13,612,925
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	\$ (1,038,407)	\$ (1,771,467)
<b>CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR</b>	2,737,466	4,508,933
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>	\$ 1,699,059	\$ 2,737,466
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid out during year for Interest:	\$ 3,611,140	\$ 2,909,402

Disclosure of Accounting Policy:

For purposes of the statement of cash flows, the EMC considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The accompanying notes are an integral part of this statement.

**BLUE RIDGE MOUNTAIN ELECTRIC MEMBERSHIP CORPORATION**  
**YOUNG HARRIS, GEORGIA**  
**Notes to Financial Statements**  
**June 30, 2008**

**1. DESCRIPTION OF BUSINESS:**

Blue Ridge Mountain Electric Membership Corporation (Blue Ridge) is an income tax exempt electric distribution cooperative serving 48,453 consumers in the north Georgia counties of Gilmer, Fannin, Union and Towns, North Carolina counties of Clay, Cherokee and Macon. Blue Ridge's principal customers are residential and commercial members of the cooperative.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The books and records of Blue Ridge EMC are kept in accordance with the uniform system of accounts for Class A and B public utilities as prescribed by the Federal Energy Regulatory Commission and the Tennessee Valley Authority for cooperative borrowers. The utility plant is stated at cost and material and supply inventories (consisting of plant components) are recorded and issued at average cost. All renewals and betterments are capitalized and all normal retirements, less salvage, are charged to the related allowance for depreciation. Retirements are valued at average historical cost. See the following notes for further clarification of various specific accounting procedures and statement presentation.

**3. ASSETS PLEDGED:**

All assets are pledged as security for long-term debt to RUS and CFC.

**4. ELECTRIC PLANT AND DEPRECIATION PROCEDURES:**

Listed below are the major classes of electric plant as of June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Transmission plant	\$ 982,796	\$ 319,840
Distribution plant	120,954,033	107,453,584
General plant	<u>15,986,134</u>	<u>14,951,052</u>
	\$ 137,922,963	\$ 122,724,476
Construction work in progress	<u>3,455,536</u>	<u>8,274,520</u>
	<u>\$ 141,378,499</u>	<u>\$ 130,998,996</u>

Provision has been made for depreciation of transmission and distribution plant at a straight-line composite rate of 3% to 15%, averaging approximately 3.3%. General plant depreciation rates have been applied on a straight-line basis with composite rates of 2% to 20%. Depreciation accruals were \$4,756,152 and \$5,280,564 for 2007 and 2008 respectively.

**BLUE RIDGE MOUNTAIN ELECTRIC MEMBERSHIP CORPORATION**  
**YOUNG HARRIS, GEORGIA**  
**Notes to the Financial Statements**  
**June 30, 2008**

**5. INVESTMENTS IN ASSOCIATED ORGANIZATIONS:**

Investments in associated organizations consisted of the following at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Capital term certificates of the National Rural Utilities Cooperative Finance Corporation (NRUCFC)	\$ 875,458	\$ 877,507
Equity in GEMC Worker's Compensation Fund	84,342	78,606
Advance to Central Service Association	41,984	41,984
CoBank	1,000	- 0 -
Other	<u>21,190</u>	<u>19,928</u>
	<u>\$1,023,974</u>	<u>\$ 1,018,025</u>

**6. NON UTILITY PROPERTY**

Blue Ridge purchased an operating internet business on May 1, 2002, for the purpose of offering this service to members in the area. During the years ended June 30, 2008, Blue Ridge made preliminary investments in video and voice services.

The following is a synopsis of the Non Utility Property Ventures:

	<u>2008</u>	<u>2007</u>
<b>INVESTMENT</b>	<b>\$13,011,032</b>	<b>\$ 6,194,836</b>
Allowance for Depreciation & Amortization	<u>972,556</u>	<u>667,686</u>
Book Value	<u>\$ 12,038,476</u>	<u>\$ 5,527,150</u>
<b>NUMBER SERVICES</b>	<b><u>3,078</u></b>	<b><u>2,851</u></b>
<b>OPERATIONS</b>		
Income	<u>\$ 1,762,095</u>	<u>\$ 1,565,112</u>
Operating Expense	\$ 2,165,576	\$ 1,852,102
Depreciation & Amortization	332,194	208,493
Internet	<u>(60)</u>	<u>(4,559)</u>
TOTAL EXPENSE	<u>\$ 2,497,710</u>	<u>\$ 2,056,036</u>
Loss Reported in Non-operating margin section of the report	<u>\$ (735,615)</u>	<u>\$ (490,924)</u>

**BLUE RIDGE MOUNTAIN ELECTRIC MEMBERSHIP CORPORATION**  
**YOUNG HARRIS, GEORGIA**  
Notes to Financial Statements  
June 30, 2008

**6. NON UTILITY PROPERTY (Continued)**

**DEPRECIATION & AMORTIZATION:**

ASSET	COST	LIFE	2008	2007
Equipment	\$12,711,032	Various	\$332,194	\$194,993
Customer Base	75,000	5 Years	- 0 -	13,500
Trade Name	125,000	2 Years	- 0 -	- 0 -
Non-Complete Clause	<u>100,000</u>	2 Years	<u>- 0 -</u>	<u>- 0 -</u>
	<u>\$13,011,032</u>		<u>\$332,194</u>	<u>\$ 208,493</u>

**7. OTHER DEFERRED CHARGES:**

Following is a summary of amounts recorded as other deferred charges as of June 30, 2008 and 2007.

	2008	2007
Stores Expense - Undistributed	\$ 24,814	\$ 34,163
Engineering Clearing Account - Undistributed	91,581	67,472
Transportation Clearing - Undistributed	62,026	65,125
Post Retirement Benefit Obligations - Unamortized	238,830	255,730
Payroll Benefit - Clearing	- 0 -	45,278
Future Building Program Cost	66,564	88,058
Regulatory Asset - APBO catch up - Unamortized	<u>1,352,842</u>	<u>1,432,421</u>
	<u>\$ 1,836,657</u>	<u>\$ 1,988,247</u>

Blue Ridge Mountain commissioned NRECA to do a Post-Retirement Benefits (excluding pensions) valuation as of July 1, 2006, which revealed a shortage in the accrued liability of approximately \$1,512,000. The board of directors of Blue Ridge Mountain, in their rate making capacity, declared this catch up amount to be a Regulatory Asset to be written off and taken into account for setting the rates for the sale of electricity over 19 year period retroactive to July 1, 2006. Liability at June 30, 2008 is \$1,352,842.

**8. EQUITIES AND MARGINS:**

Substantially all consumers are required to pay a \$5.00 membership fee which is refundable upon termination of service and payment of all amounts due Blue Ridge Mountain EMC. Agreements with TVA, RUS and CFC restrict returns of patronage capital. Other equities represent donated capital. Patronage capital and other equities approximate 24.8% of total assets.

**9. MORTGAGE NOTES:**

Long-term debt is represented primarily by 5 to 5.5 percent mortgage notes payable to the United States of America, by 3.80 to 5.70 percent mortgage notes to the National Rural Utilities Cooperative Finance Corporation (NRUFC), and 4.256 to 6.423 percent mortgage notes to the Federal Financing Bank. The mortgage notes are for approximately 35 year periods.



**BLUE RIDGE MOUNTAIN ELECTRIC MEMBERSHIP CORPORATION**  
**YOUNG HARRIS, GEORGIA**  
**Notes to Financial Statements**  
**June 30, 2008**

**9. MORTGAGE NOTES: (Continued)**

Following is a summary of outstanding long-term debt as of June 20, 2008 and 2007.

	<u>2008</u>	<u>2007</u>
Total Due RUS at an average interest rate of 5.02% at 6-30-07 and 5.10% at 6-30-08 Maturities 2008 to 2041	\$32,342,758	\$30,247,185
Total Due CFC at an average interest rate of 5.08% at 6-30-07 and 5.35% at 6-30-08 Maturities 2008 to 2032	6,353,556	6,640,078
Total Due FFB at a 5.33% and 5.22% average rate at 6/30/07 and 6/30/08 with installment payments due for 34 years.	<u>29,022,995</u>	<u>27,498,866</u>
	\$ 67,719,309	\$ 64,386,129
Less: Current Maturities	<u>1,817,000</u>	<u>1,588,000</u>
	<u>\$ 65,902,309</u>	<u>\$ 62,798,129</u>

Renewable, variable interest, line of credit funds of \$2,900,000 are available from CFC, and undrawn approved loan funds of \$0 from RUS and \$0 from FFP.

Principal and interest installments of approximately \$5,150,000 on the above long term notes are due in the next 12 months. As of June 30, 2008 annual principal payments on long term debt outstanding for the next five years are estimated as follows:

2009	1,817,000
2010	1,787,000
2011	1,781,000
2012	1,820,000
2013	1,793,000

**10. PENSION PLAN:**

Substantially all of the Corporation's employees participate in a defined contribution pension plan which provides for contributions from the employer and also from employees on a sliding scale determined by age and/or service.

**BLUE RIDGE MOUNTAIN ELECTRIC MEMBERSHIP CORPORATION**  
**YOUNG HARRIS, GEORGIA**  
**Notes to Financial Statements**  
**June 30, 2008**

**10. PENSION PLAN:**

The plan is funded by both individual insurance contracts and an investment fund managed by Aetna Life Insurance Company for the trustees of the employees pension trust. Pension cost of the Corporation was approximately \$587,072 for the year ended June 30, 2008 and \$426,217 for the year ended June 30, 2007.

The Corporation also has a deferred compensation plan and trust administered by Aetna Life Insurance Company which was established under the guidelines of the Internal Revenue Code Section 401(k). Virtually all employees are eligible for the plan which allows employees to elect to have compensation reduced by up to 15%. Contributions may be made by the employer, (on a 3% matching basis) totaling \$226,856 have been made in this period.

**11. ACCUMULATED POST RETIREMENT BENEFIT OBLIGATIONS:**

In addition to providing pension benefits, Blue Ridge provides certain post retirement medical insurance benefits for eligible employees. Eligibility for these benefits is the attainment of age 55 with 25 years of service.

Retirees under age 65 must pay 20% of the premium and over 65 must pay 100%, likewise with dependent coverage.

The net Periodic Postretirement Benefit cost for the fiscal year ending June 30, 2008 is assumed to be as follows:

Service Cost	\$138,100
Interest Cost	150,400
Amortization of Transition Obligation	16,900
Amortization –Catch up cost (See note #7)	<u>79,578</u>
Net Periodic Postretirement Benefit	<u>\$384,978</u>
Return pay-as-you-go cost for the year ended 6/30/08	<u>\$288,000</u>

**BLUE RIDGE MOUNTAIN ELECTRIC MEMBERSHIP CORPORATION**  
**YOUNG HARRIS, GEORGIA**  
**Notes to Financial Statements**  
**June 30, 2008**

**11. ACCUMULATED POST RETIREMENT BENEFIT OBLIGATIONS: (Continued)**

	<u>2008</u>	<u>2007</u>
Accrued Post Retirement Benefit Cost as of June 30:	\$3,012,959	\$2,874,700

The weighted average assumed discount rate is 5.75% with health care cost trend rate from 11% down to 6% in 2016.

**12. POWER AND ENERGY SUPPLY CONTRACT:**

The Corporation and TVA are parties to a contract, effective thru 2008 unless terminated in accordance with its provision, requiring the Corporation to purchase from TVA, and TVA to supply all of the Corporation's power and energy requirements. A subsequent amendment allows Blue Ridge to purchase a small portion of its requirements from other sources. TVA's rates charged to the Corporation and other wholesale customers are set so as to provide for payment of TVA's operation, maintenance, and tax expenses and to meet TVA debt service requirements in compliance with the Tennessee Valley Authority Act. The Corporation's rate-making process is subject to approval by RUS and TVA.

**13. WEATHERIZATION LOAN PROGRAM:**

This program, to make installment loans to consumers for the acquisition of heat pumps and needed home insulation, is the outgrowth of a TVA loan program, which Blue Ridge assumed.

	<u>2008</u>	<u>2007</u>
Total Consumer Loans Outstanding	\$1,460,179	\$ 1,231,181
Less: Current Portion	<u>427,515</u>	<u>301,764</u>
Installment due in over 12 months	<u>\$1,032,664</u>	<u>\$ 929,417</u>

**BLUE RIDGE MOUNTAIN ELECTRIC MEMBERSHIP CORPORATION**  
YOUNG HARRIS, GEORGIA  
Notes to Financial Statements  
June 30, 2008

**13. WEATHERIZATION LOAN PROGRAM: (Continued)**

Allowances for uncollectible are considered included in the provisions of \$120,790 provided for Accounts Receivable.

**14. UNBILLED REVENUE:**

Blue Ridge Mountain EMC, in 1992, began recognizing unbilled revenue as income when power was delivered. The amounts accrued of \$2,867,956 in 2008 and \$2,681,588 in 2007, are included in Accounts Receivable.

**15. UNINSURED DEPOSITS:**

Balances in general operating fund accounts in area banks may exceed federally insured coverage up to \$1,000,000 at various times during the monthly operating cycle.

**16. ADVERTISING:**

All expenditures for advertising are charged to expense as incurred.

**17. ESTIMATES:**

The preparation of financial statements in conformity with generally accepted accounting principles requires the Blue Ridge Mountain EMC management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

**18. OTHER DEFERRED CREDITS:**

Blue Ridge Electric Membership Corporation did not have any deferred credits as of June 30, 2008.

**19. CONTINGENT LIABILITIES:**

Blue Ridge has adopted a policy to compensate employees, upon retirement, for a portion of their unused sick pay allowance. The amount is calculated on years of service, minimum service requirement is 15 years with maximum payment due for 30 years service. The maximum payment is equal to 50 days pay. Due to the complexity of the policy and the mitigating effect of the savings upon granting early retirement, management considers it impractical to quantify the liability, except that the accrued amount should not materially affect the financial position of Blue Ridge Mountain EMC.

# HERBERT E. ALLEN

CERTIFIED PUBLIC ACCOUNTANT

P.O. BOX 6936

131 THOMAS DRIVE

AMERICUS, GEORGIA 31709

OFFICE: 229-928-4008

FAX: 229-924-1532

heallenepa@bellsouth.net

Member of the American Institute of  
Certified Public Accountants

Member of the Georgia Society of  
Certified Public Accountants

September 3, 2008

Blue Ridge Mountain Electric Membership Corporation  
P.O. Box 9  
Young Harris, Georgia 30582

Gentlemen:

We have audited the financial statements of the Blue Ridge Mountain Electric Membership Corporation for the year ended June 30, 2008 and have issued our report thereon dated September 3, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and 7 CFR Part 1773, Policy on Audits of Rural Utility Service (RUS) Borrowers. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of Blue Ridge Mountain Electric Membership Corporation for the year ended June 30, 2008, we considered its internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of the internal control components does not reduce to a relatively low level, the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting we consider to be a material weakness.

7 CFR Part 1773.34 requires comments on specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters. We have grouped our comments accordingly. In addition to obtaining reasonable assurance about whether the financial statements are free from material misstatements, at your request, we performed tests of specific aspects of the

internal control over financial reporting, of compliance with specific RUS loan and security instrument provisions, and of additional matters. The specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and additional matters tested include, among other things, the accounting procedures and records, materials control, compliance with specific RUS loan and security instruments provisions set forth in 7 CFR Part 1773.34(e) (1), related party transactions, depreciation rates, a schedule of deferred debits and a schedule of investments upon which we express an opinion. In addition, our audit of the financial statements also included the procedures specified in 7 CFR Part 1773.38-45. Our objective was not to provide an opinion on these specific aspects of the internal control structure, compliance with specific RUS loan and security instrument provisions, or additional matters, and accordingly, we express no opinion thereon.

No reports (other than our independent auditor's report, our independent auditor's compliance report and our independent auditor's report on internal control structure, all dated September 3, 2008) or summary of recommendations related to our audit have been furnished to management.

Our comments on specific aspects of the internal control structure, compliance with specific RUS loan and security instrument provisions, and other additional matters as required by 7 CFR Part 1773.34 are presented below.

#### COMMENTS ON CERTAIN SPECIFIC ASPECTS OF THE INTERNAL CONTROL OVER FINANCIAL REPORTING

We noted no matter regarding Blue Ridge Mountain Electric Membership Corporation's internal control over financial reporting and its operation that we consider to be a material weakness as previously defined with respect to:

- the accounting procedures and records;
- the process for accumulating and recording labor, material and overhead costs and the distribution of these costs to construction, retirement and maintenance or other expense accounts; and
- the material control

#### COMMENTS ON COMPLIANCE WITH SPECIFIC RUS LOAN AND SECURITY INSTRUMENT PROVISIONS

At your request, we have performed the procedures enumerated below with respect to compliance with certain provisions of laws, regulations, contracts and grants. The procedures we performed are summarized as follows:

-Procedures performed with respect to the requirement for a borrower to obtain written approval of the mortgagee to enter into any contract for the operation or maintenance of property or for the use of mortgaged property by others for the year ended June 30, 2008.

1. Obtained and read a borrower-prepared schedule of new written contracts entered into during the year for the operation or maintenance of its property, or for the use of its property by others as defined in 1773.33 (e)(1)(i).
2. Reviewed Board of Director Minutes to ascertain whether board-approved written contracts are included in the borrower-prepared schedule.

**COMMENTS ON COMPLIANCE WITH SPECIFIC RUS LOANS AND SECURITY INSTRUMENT PROVISIONS (Continued)**

3. Noted the existence of written RUS (and other mortgagee) approval of each contract listed by the borrower.

-Procedure performed with respect to the requirement to submit RUS Form 7 to the RUS.

1. Agreed amounts reported in Form 7 to Blue Ridge Mountain EMC's records.

The results of our tests indicate that, with respect to the items tested, Blue Ridge Mountain Electric Membership Corporation complied, in all material respects with the specific RUS loan and security instrument provisions referred to below. The specific provisions tested, as well as any exceptions noted, include requirements that:

-The borrower has obtained written approval of the RUS to enter into any contract for the operation or maintenance of property, or for the use of mortgaged property by others as defined in 1773.33 (e)(l)(i); and

-The borrower has submitted its Form 7 to the RUS and Form 7 Financial and Statistical Report, as of June 30, 2008, represented by the borrower as having been submitted to RUS is in agreement with the Blue Ridge Mountain Electric Membership Corporation's audited records in all material respects, and appears reasonable based upon the audit procedures performed.

**COMMENTS ON OTHER ADDITIONAL MATTERS**

In connection with our audit of the financial statements of Blue Ridge Mountain Electric Membership Corporation nothing came to our attention that caused us to believe that Blue Ridge Mountain Electric Membership Corporation failed to comply with respect to:

-The reconciliation of continuing property records to the controlling general ledger plant accounts addressed at 7 CFR 1773.33 (c) (1) (list all exceptions):

-The clearing of the construction accounts and the accrual of depreciation on completed construction addressed at 7 CFR 1773.33 (c) (2):

-The retirement of plant addressed at 7 CFR 1773.33 (c) (3) and (4).

-Approval of the sale, lease or transfer of capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap addressed at 7 CFR 1773.33 (c) (5);

-The disclosure of material related party transactions, in accordance with Statement of Financial Accounting Standards No. 57, Related Party Transactions, for the year ended June 30, 2008, in the financial statements referenced in the first paragraph of this report addressed at 7 CFR 1773.33 (f);

-The depreciation rates addressed at 7 CFR 1773.33 (g);

-The detailed schedule of deferred debits; and

-The detailed schedule of investments.

COMMENTS ON OTHER ADDITIONAL MATTERS (Continued)

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The detailed schedule of deferred debits required by 7 CFR 1773.33 (h), and the detailed schedule of investments required by 7 CFR 1773.33 (i), and provided below, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

DEFERRED DEBTS

Undistributed balances in clearing accounts:

Stores	\$ 24,814
Engineering	91,581
Transportation	62,026
Payroll Benefits	- 0 -
Post Retirement Benefit Organization-Unamortized	238,830
Future Building Program	66,564
Regulatory Asset-APBO Catch up-Unamortized	<u>1,352,842</u>
	<u>\$ 1,836,657</u>

DEFERRED CREDITS

\$ - 0 -


INVESTMENTS IN ASSOCIATED ORGANIZATIONS:

	<u>Beginning</u>	<u>Add</u>	<u>Payments</u>	<u>Ending</u>
CFC-CTC's	\$ 877,507	\$ - 0 -	\$2,049	\$ 875,458
GEMS Workers Comp. Fund	78,606	5,736	- 0 -	84,342
CSA (Computer Service Coop.)	41,984	- 0 -	- 0 -	41,984
Cash Value				
Officers Life Ins.	19,928	1,263	- 0 -	21,191
Co Bank	<u>- 0 -</u>	<u>1,000</u>	<u>- 0 -</u>	<u>1,000</u>
	<u>\$1,018,025</u>	<u>\$7,999</u>	<u>\$2,049</u>	<u>\$ 1,023,975</u>

NON-UTILITY PROPERTY

Blue Ridge purchased an operating internet enterprise (in coop's area) on May 1, 2002 for \$350,000 and has subsequently added additional equipment of \$12,661,032. This service is run as a non-operating income segment of Blue Ridge. Losses for 2008 have been \$735,615 including depreciation and amortization of \$332,194.

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 to directors, management, and the Rural Utility Service and supplemental lenders.

  
Herbert E. Allen, CPA



# HERBERT E. ALLEN

CERTIFIED PUBLIC ACCOUNTANT

P.O. BOX 6936

131 THOMAS DRIVE

AMERICUS, GEORGIA 31709

OFFICE: 229-928-4008

FAX: 229-924-1532

heallenepa@bellsouth.net

Member of the American Institute of  
Certified Public Accountants

Member of the Georgia Society of  
Certified Public Accountants

September 3, 2008

Blue Ridge Mountain Electric Membership Corporation  
P.O. Box 9  
Young Harris, Georgia 30582

Gentlemen:

We have audited the financial statements of the Blue Ridge Mountain Electric Membership Corporation for the year ended June 30, 2008 and have issued our report thereon dated September 3, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and 7 CFR Part 1773, Policy on Audits of Rural Utility Service (RUS) Borrowers. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of Blue Ridge Mountain Electric Membership Corporation for the year ended June 30, 2008, we considered its internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of the internal control components does not reduce to a relatively low level, the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting we consider to be a material weakness.

7 CFR Part 1773.34 requires comments on specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters. We have grouped our comments accordingly. In addition to obtaining reasonable assurance about whether the financial statements are free from material misstatements, at your request, we performed tests of specific aspects of the

internal control over financial reporting, of compliance with specific RUS loan and security instrument provisions, and of additional matters. The specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and additional matters tested include, among other things, the accounting procedures and records, materials control, compliance with specific RUS loan and security instruments provisions set forth in 7 CFR Part 1773.34(e) (1), related party transactions, depreciation rates, a schedule of deferred debits and a schedule of investments upon which we express an opinion. In addition, our audit of the financial statements also included the procedures specified in 7 CFR Part 1773.38-45. Our objective was not to provide an opinion on these specific aspects of the internal control structure, compliance with specific RUS loan and security instrument provisions, or additional matters, and accordingly, we express no opinion thereon.

No reports (other than our independent auditor's report, our independent auditor's compliance report and our independent auditor's report on internal control structure, all dated September 3, 2008) or summary of recommendations related to our audit have been furnished to management.

Our comments on specific aspects of the internal control structure, compliance with specific RUS loan and security instrument provisions, and other additional matters as required by 7 CFR Part 1773.34 are presented below.

#### COMMENTS ON CERTAIN SPECIFIC ASPECTS OF THE INTERNAL CONTROL OVER FINANCIAL REPORTING

We noted no matter regarding Blue Ridge Mountain Electric Membership Corporation's internal control over financial reporting and its operation that we consider to be a material weakness as previously defined with respect to:

- the accounting procedures and records;
- the process for accumulating and recording labor, material and overhead costs and the distribution of these costs to construction, retirement and maintenance or other expense accounts; and
- the material control

#### COMMENTS ON COMPLIANCE WITH SPECIFIC RUS LOAN AND SECURITY INSTRUMENT PROVISIONS

At your request, we have performed the procedures enumerated below with respect to compliance with certain provisions of laws, regulations, contracts and grants. The procedures we performed are summarized as follows:

-Procedures performed with respect to the requirement for a borrower to obtain written approval of the mortgagee to enter into any contract for the operation or maintenance of property or for the use of mortgaged property by others for the year ended June 30, 2008.

1. Obtained and read a borrower-prepared schedule of new written contracts entered into during the year for the operation or maintenance of its property, or for the use of its property by others as defined in 1773.33 (e)(1)(i).
2. Reviewed Board of Director Minutes to ascertain whether board-approved written contracts are included in the borrower-prepared schedule.

**COMMENTS ON COMPLIANCE WITH SPECIFIC RUS LOANS AND SECURITY INSTRUMENT PROVISIONS (Continued)**

3. Noted the existence of written RUS (and other mortgagee) approval of each contract listed by the borrower.

-Procedure performed with respect to the requirement to submit RUS Form 7 to the RUS.

1. Agreed amounts reported in Form 7 to Blue Ridge Mountain EMC's records.

The results of our tests indicate that, with respect to the items tested, Blue Ridge Mountain Electric Membership Corporation complied, in all material respects with the specific RUS loan and security instrument provisions referred to below. The specific provisions tested, as well as any exceptions noted, include requirements that:

-The borrower has obtained written approval of the RUS to enter into any contract for the operation or maintenance of property, or for the use of mortgaged property by others as defined in 1773.33 (e)(l)(i); and

-The borrower has submitted its Form 7 to the RUS and Form 7 Financial and Statistical Report, as of June 30, 2008, represented by the borrower as having been submitted to RUS is in agreement with the Blue Ridge Mountain Electric Membership Corporation's audited records in all material respects, and appears reasonable based upon the audit procedures performed.

**COMMENTS ON OTHER ADDITIONAL MATTERS**

In connection with our audit of the financial statements of Blue Ridge Mountain Electric Membership Corporation nothing came to our attention that caused us to believe that Blue Ridge Mountain Electric Membership Corporation failed to comply with respect to:

-The reconciliation of continuing property records to the controlling general ledger plant accounts addressed at 7 CFR 1773.33 (c) (1) (list all exceptions):

-The clearing of the construction accounts and the accrual of depreciation on completed construction addressed at 7 CFR 1773.33 (c) (2):

-The retirement of plant addressed at 7 CFR 1773.33 (c) (3) and (4).

-Approval of the sale, lease or transfer of capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap addressed at 7 CFR 1773.33 (c) (5);

-The disclosure of material related party transactions, in accordance with Statement of Financial Accounting Standards No. 57, Related Party Transactions, for the year ended June 30, 2008, in the financial statements referenced in the first paragraph of this report addressed at 7 CFR 1773.33 (f);

-The depreciation rates addressed at 7 CFR 1773.33 (g);

-The detailed schedule of deferred debits; and

-The detailed schedule of investments.

COMMENTS ON OTHER ADDITIONAL MATTERS (Continued)

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The detailed schedule of deferred debits required by 7 CFR 1773.33 (h), and the detailed schedule of investments required by 7 CFR 1773.33 (i), and provided below, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

DEFERRED DEBTS

Undistributed balances in clearing accounts:

Stores	\$ 24,814
Engineering	91,581
Transportation	62,026
Payroll Benefits	- 0 -
Post Retirement Benefit Organization-Unamortized	238,830
Future Building Program	66,564
Regulatory Asset-APBO Catch up-Unamortized	<u>1,352,842</u>
	<u>\$ 1,836,657</u>

DEFERRED CREDITS

\$ - 0 -

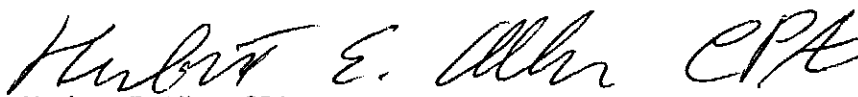
INVESTMENTS IN ASSOCIATED ORGANIZATIONS:

	<u>Beginning</u>	<u>Add</u>	<u>Payments</u>	<u>Ending</u>
CFC-CTC's	\$ 877,507	\$ - 0 -	\$2,049	\$ 875,458
GEMS Workers Comp. Fund	78,606	5,736	- 0 -	84,342
CSA				
(Computer Service Coop.)	41,984	- 0 -	- 0 -	41,984
Cash Value				
Officers Life Ins.	19,928	1,263	- 0 -	21,191
Co Bank	<u>- 0 -</u>	<u>1,000</u>	<u>- 0 -</u>	<u>1,000</u>
	<u>\$1,018,025</u>	<u>\$7,999</u>	<u>\$2,049</u>	<u>\$ 1,023,975</u>

NON-UTILITY PROPERTY

Blue Ridge purchased an operating internet enterprise (in coop's area) on May 1, 2002 for \$350,000 and has subsequently added additional equipment of \$12,661,032. This service is run as a non-operating income segment of Blue Ridge. Losses for 2008 have been \$735,615 including depreciation and amortization of \$332,194.

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 to directors, management, and the Rural Utility Service and supplemental lenders.

  
Herbert E. Allen, CPA

**BLUE RIDGE MOUNTAIN ELECTRIC MEMBERSHIP CORPORATION**

**YOUNG HARRIS, GEORGIA  
INDEPENDENT AUDITOR'S REPORT ON  
FINANCIAL STATEMENTS**

**AS OF  
June 30, 2007**

## CONTENTS

	PAGE
<b>Independent Auditor's Report</b>	<b>1</b>
<b>Report on Compliance and Internal Control</b>	<b>3 - 4</b>
<b>Financial Statements:</b>	
<b>Balance Sheets</b>	<b>5 - 6</b>
<b>Statement of Revenue and Patronage Capital</b>	<b>7</b>
<b>Statement of Cash Flows</b>	<b>8</b>
<b>Notes to Financial Statements</b>	<b>9 -15</b>

# HODGES, JOHNSON AND ALLEN

CERTIFIED PUBLIC ACCOUNTANTS

P. O. BOX 988 - AMELIA COHEN BUILDING

123 N. JACKSON ST.

AMERICUS, GEORGIA 31709

(229) 924-2944

(229) 924-7900 - FAX

BROWN C. HODGES, C.P.A.  
B.T. JOHNSON, C.P.A.  
H.E. ALLEN, C.P.A.

MEMBERS OF THE PRIVATE COMPANIES PRACTICE  
SECTION OF THE AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS AND GEORGIA  
SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

August 14, 2007

Board of Directors Blue Ridge Mountain Electric  
Membership Corporation  
P. O. Box 9  
Young Harris, Georgia 30582

## Independent Auditor's Report

We have audited the accompanying balance sheets of Blue Ridge Mountain Electric Membership Corporation as of June 30, 2007 and 2006, and the related statements of revenue and patronage capital, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the Standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Blue Ridge Mountain Electric Membership Corporation at June 30, 2007 and 2006, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

In accordance with Government Auditing Standards, we have also issued our report date August 14, 2007, (page 3 attached) on our consideration of Blue Ridge Mountain Electric Membership Corporation's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

*Hodges Johnson & Allen*

HODGES, JOHNSON & ALLEN, CPA'S



# HODGES, JOHNSON AND ALLEN

CERTIFIED PUBLIC ACCOUNTANTS

P. O. BOX 988 - AMELIA COHEN BUILDING

123 N. JACKSON ST.

AMERICUS, GEORGIA 31709

(229) 924-2944

(229) 924-7900 - FAX

**August 14, 2007**

BROWN C. HODGES, C.P.A.  
B.T. JOHNSON, C.P.A.  
H.E. ALLEN, C.P.A.

MEMBERS OF THE PRIVATE COMPANIES PRACTICE  
SECTION OF THE AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS AND GEORGIA  
SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

**Board of Directors Blue Ridge Mountain Electric  
Membership Corporation  
P.O. Box 9  
Young Harris, Georgia 30582**

We have audited the financial statements of Blue Ridge Mountain Electric Membership Corporation as of and for the years ended June 30, 2007 and 2006, and have issued our report thereon dated August 14, 2007. We conducted our audit in accordance with auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States.

## **Compliance**

As part of obtaining reasonable assurance about whether Blue Ridge Mountain Corporation's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under Government Auditing Standards.

Further, in support of a request for certain assurances to CFC, a major supplemental lender, concerning loan fund advances controlled by the RUS/CFC Mortgage and Loan Agreement, there were no such advances during the year ended June 30, 2007.

## **Internal Control Over Financial Reporting**

In planning and performing our audit we considered Blue Ridge Mountain Electric Membership Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design

or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management, and the Rural Utility Service 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.

  
HODGES, JOHNSON & ALLEN, CPA'S



**BLUE RIDGE MOUNTAIN ELECTRIC MEMBERSHIP CORPORATION**

**YOUNG HARRIS GEORGIA**

**Balance Sheets as of June 30:**

**EQUITIES AND LIABILITIES**

	<u>2006</u>	<u>2006</u>
<b>EQUITIES AND MARGINS: (Note #8)</b>		
Memberships fees	\$ 207,535	\$ 203,055
Patronage Capital	29,541,015	27,818,058
Other Equities	14,274	10,962
	<u>\$ 29,762,824</u>	<u>\$ 28,032,075</u>
<b>LONG-TERM OBLIGATIONS:</b>		
Long-Term Debt (Note #9)		
RUS Mortgage Notes	\$ 29,422,185	\$ 15,209,961
CFC Mortgage Notes	6,344,078	6,638,581
FFB Mortgage Notes	27,031,866	27,527,454
	<u>\$ 62,798,129</u>	<u>\$ 49,375,996</u>
Accumulated Post Retirement Benefit Obligations (Note #11)	2,847,700	1,164,248
	<u>\$ 65,645,829</u>	<u>\$ 50,540,244</u>
<b>CURRENT LIABILITIES:</b>		
Current Maturities of Long Term Debt	\$ 1,588,000	\$ 1,405,000
Notes Payable	500,000	- 0 -
Accounts Payable	7,530,736	7,342,993
Consumer Deposits	2,992,205	2,823,260
Other Current and Accrued Liabilities	782,623	755,047
	<u>\$ 13,393,564</u>	<u>\$ 12,326,300</u>
<b>DEFERRED CREDITS AND OTHER LIABILITIES:</b>		
Other Deferred Credits (Note #18)	\$ 17,351	\$ 31,370
	<u>\$ 108,819,568</u>	<u>\$ 90,929,989</u>

(The accompanying notes are an integral part of this statement.)

**BLUE RIDGE MOUNTAIN ELECTRIC MEMBERSHIP CORPORATION**

**YOUNG HARRIS, GEORGIA**

**Statement of Revenue and Patronage Capital**  
**For the Years Ended June 30:**

	<u>2007</u>	<u>2006</u>
<b>OPERATING REVENUE AND PATRONAGE CAPITAL</b> (Note #14)	<u>\$ 59,057,314</u>	<u>\$ 53,581,266</u>
<b>OPERATING EXPENSES:</b>		
Cost of Power (Note #12)	\$ 38,823,984	\$ 34,298,308
Distribution Expense - Operations	1,923,399	2,069,908
Distribution Expense - Maintenance	3,456,853	3,080,780
Consumer Account Expense	2,517,759	2,344,068
Administrative and General Expense	2,779,311	2,328,196
Depreciation Expense	3,921,203	3,605,049
Taxes	895,278	742,550
	<u>\$ 54,317,787</u>	<u>\$ 48,468,859</u>
<b>OPERATING MARGINS BEFORE FIXED CHARGES:</b>	<u>\$ 4,739,527</u>	<u>\$ 5,126,308</u>
Interest on Long Term Debt	2,896,188	2,395,657
	<u>\$ 1,843,339</u>	<u>\$ 2,730,651</u>
Capital Credits Received	73,227	98,853
<b>NET OPERATING MARGINS:</b>	<u>\$ 1,916,566</u>	<u>\$ 2,829,504</u>
<b>NON OPERATING MARGINS:</b>		
Interest and Dividends Income	\$ 393,445	\$ 241,339
Other Income (Loss)	(587,054)	(399,199)
	<u>\$ (193,609)</u>	<u>\$ (157,860)</u>
<b>NET MARGINS FOR THE PERIOD:</b>	<u>\$ 1,722,957</u>	<u>\$ 2,671,644</u>
<b>PATRONAGE CAPITAL - BEGINNING OF YEAR</b>	<u>27,818,058</u>	<u>25,146,414</u>
<b>PATRONAGE CAPITAL - END OF YEAR</b>	<u>\$ 29,541,015</u>	<u>\$ 27,818,058</u>

(The accompanying notes are an integral part of this statement.)

**BLUE RIDGE MOUNTAIN ELECTRIC MEMBERSHIP CORPORATION**  
**YOUNG HARRIS, GEORGIA**

**Statement of Cash Flows**  
**For the Years Ended June 30:**

**Increase(Decrease) in Cash and Cash Equivalents**

	<b>2007</b>	<b>2006</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income	\$ 1,722,957	\$ 2,671,644
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization - Electric	\$ 4,756,152	\$ 4,357,237
Depreciation & Amortization - Internet	208,493	116,768
Increase in Investments	(961)	1,425
Changes in Assets and Liabilities:		
Increase in Notes Receivable - Current	(42,566)	(22,824)
Increase in Accounts Receivable	(423,273)	(753,645)
Decrease in Material and Supplies	61,043	(151,957)
Increase in Other Current Assets	(56,303)	(378,825)
Increase in Deferred Charges	(1,552,173)	22,320
Increase in Notes Payable - Current	500,000	- 0 -
Increase in Accounts Payable	187,743	1,054,070
Increase in Employee Benefit Obligations	1,683,452	90,793
Increase in Consumer Deposits	168,945	217,720
Increase in Current Liabilities	27,576	74,202
Decrease in Deferred Credits	(14,019)	(5,969)
Total Adjustments	\$ 5,504,109	\$ 4,621,315
Net Cash Provided by Operating Activities	\$ 7,227,066	\$ 7,292,959
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Plant Additions	\$ (18,865,949)	\$ (8,552,699)
Salvage from Plant Retirements	313,360	460,373
Additions to Internet Venture	(3,416,288)	(2,081,230)
Increase in L/Term Notes Receivable	(215,481)	(61,967)
Plant Removal Cost	(427,100)	(509,641)
Net Cash Used in Investing Activities	\$ (22,611,458)	\$ (10,745,164)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loan Advances	\$ 15,000,000	\$ 8,072,000
Long-Term\ Loan Repayments	(1,394,867)	(1,319,464)
New Memberships (net)	4,480	(1,896)
Increase - Other Equities	3,312	- 0 -
Net Cash From Financing Activities	\$ 13,612,925	\$ 6,750,640
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	\$ (1,771,467)	\$ 3,298,435
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	4,508,933	1,210,498
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 2,737,466	\$ 4,508,933

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Cash Paid out during, Year for Interest:	\$ 2,909,402	\$ 2,375,571
--	--------------	--------------

**Disclosure of Accounting Policy:**

For purposes of the statement of cash flows, the EMC considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

(The accompanying notes are an integral part of this statement.)

**BLUE RIDGE MOUNTAIN ELECTRIC MEMBERSHIP CORPORATION**

**YOUNG HARRIS, GEORGIA**

**Notes to Financial Statements**  
**June 30, 2007**

**1. DESCRIPTION OF BUSINESS:**

Blue Ridge Mountain Electric Membership Corporation (Blue Ridge) is an income tax exempt electric distribution cooperative serving 47,600 consumers in the north Georgia counties of Gilmer, Fannin, Union and Towns and North Carolina counties of Clay, Cherokee and Macon. Blue Ridge's principal customers are residential and commercial members of the cooperative.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The books and records of Blue Ridge EMC are kept in accordance with the uniform system of accounts for Class A and B public utilities as prescribed by the Federal Energy Regulatory Commission and the Tennessee Valley Authority for cooperative borrowers. The utility plant is stated at cost and material and supply inventories (consisting of plant components) are recorded and issued at average cost. All renewals and betterments are capitalized and all normal retirements, less salvage, are charged to the related allowance for depreciation. Retirements are valued at average historical cost. See the following notes for further clarification of various specific accounting procedures and statement presentation.

**3. ASSETS PLEDGED:**

All assets are pledged as security for long-term debt to RUS and CFC.

**4. ELECTRIC PLANT AND DEPRECIATION PROCEDURES:**

Listed below are the major classes of electric plant as of June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Transmission plant	\$ 319,840	\$ 319,840
Distribution plant	106,842,607	98,609,102
General plant	<u>15,562,029</u>	<u>13,677,343</u>
	\$122,724,476	\$112,606,285
Construction work in progress	<u>8,274,520</u>	<u>760,712</u>
	<u>\$130,998,996</u>	<u>\$113,366,997</u>

Provision has been made for depreciation of transmission and distribution plant at a straight-line composite rate of 3% to 15%, averaging approximately 3.3%. General plant depreciation rates have been applied on a straight-line basis with composite rates of 2% to 20%. Depreciation accruals were \$4,756,152 and \$4,357,237 for 2007 and 2006 respectively.

**BLUE RIDGE MOUNTAIN ELECTRIC MEMBERSHIP CORPORATION**

**YOUNG HARRIS, GEORGIA**  
**Notes to Financial Statements**  
**June 30, 2007**

**5. INVESTMENTS IN ASSOCIATED ORGANIZATIONS:**

Investments in associated organizations consisted of the following at June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Capital term certificates of the National Rural Utilities Cooperative Finance Corporation (NRUCFC)	\$ 877,507	\$ 879,581
Equity in GEMC Worker's Compensation Fund	78,606	76,774
Advance to Central Service Association	41,984	41,984
Other	<u>19,928</u>	<u>18,725</u>
	<u>\$1,018,025</u>	<u>\$1,017,064</u>

**6. NON UTILITY PROPERTY**

Blue Ridge purchased an operating internet business on May 1, 2002, for the purpose of offering this service to members in the area.

The following is a synopsis of the Internet Venture:

	<u>2007</u>	<u>2006</u>
<b>INVESTMENT</b>		
Allowance for Depreciation & Amortization	\$6,194,836	\$2,769,529
Book Value	<u>667,686</u>	<u>459,194</u>
<b>NUMBER SERVICES</b>	<u>\$ 5,527,150</u>	<u>\$ 2,310,335</u>
	2,851	2,909
<b>OPERATIONS</b>		
Income	<u>\$ 1,565,112</u>	<u>\$1,353,103</u>
Operating Expense	\$ 1,852,102	\$1,543,642
Depreciation & Amortization	208,493	116,768
Internet	<u>(4,559)</u>	<u>17,612</u>
<b>TOTAL EXPENSE</b>	<u>\$ 2,056,036</u>	<u>\$1, 678,022</u>
 Loss Reported in Non-operating margin section of the report	 <u>\$ (490,924)</u>	 <u>\$(324,919)</u>



**BLUE RIDGE MOUNTAIN ELECTRIC MEMBERSHIP CORPORATION**

YOUNG HARRIS, GEORGIA

**Notes to Financial Statements**  
**June 30, 2007**

**6. NON UTILITY PROPERTY (Continued)**

**DEPRECIATION & AMORTIZATION:**

<b>ASSET</b>	<b><u>COST</u></b>	<b><u>LIFE</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>
Equipment	\$5,894,836	Various	\$194,993	\$101,768
Customer Base	75,000	5 Years	13,500	15,000
Trade Name	125,000	2 Years	- 0 -	- 0 -
Non-Complete Clause	100,000	2 Years	- 0 -	- 0 -
			<u>\$208,493</u>	<u>\$116,768</u>

**7. OTHER DEFERRED CHARGES:**

Following is a summary of amounts recorded as other deferred charges as of June 30, 2007 and 2006.

	<b><u>2007</u></b>	<b><u>2006</u></b>
Stores Expense - Undistributed	\$ 34,163	\$ 33,273
Engineering Clearing Account - Undistributed	67,472	24,734
Transportation Clearing - Undistributed	65,125	50,749
Post Retirement Benefit Obligations - Unamortized	255,730	272,630
Payroll Benefit - Clearing	45,278	- 0 -
Future Building Program Cost	88,058	54,688
Regulatory Asset - APBO catch up - Unamortized	<u>1,432,421</u>	<u>- 0 -</u>
	<u>\$1,988,247</u>	<u>\$ 436,074</u>

Blue Ridge Mountain commissioned NRECA to do a Post-Retirement Benefits (excluding pensions) valuation as of July 1, 2006, which revealed a shortage in the accrued liability of approximately \$1,512,000. The board of directors of Blue Ridge Mountain, in their rate making capacity, declared this catch up amount to be a Regulatory Asset to be written off and taken into account for setting the rates for the sale of electricity over a 19 year period retroactive to July 1, 2006.

**8. EQUITIES AND MARGINS:**

Substantially all consumers are required to pay a \$5.00 membership fee which is refundable upon termination of service and payment of all amounts due Blue Ridge Mountain EMC. Agreements with TVA, RUS and CFC restrict returns of patronage capital. Other equities represent donated capital. Patronage capital and other equities approximate 27.3% of total assets.

**9. MORTGAGE NOTES:**

Long-term debt is represented primarily by 2 to 5.5 percent mortgage notes payable to the United States by America, by 3.4 to 5.65 percent mortgage notes to the National Rural Utilities Cooperative Finance Corporation (NRUFC), and 4.256 to 6.423 percent mortgage notes to the Federal Financing Bank. The mortgage notes are for approximately 35 year periods.

**BLUE RIDGE MOUNTAIN ELECTRIC MEMBERSHIP CORPORATION**

**YOUNG HARRIS, GEORGIA**

**Notes to Financial Statements**  
**June 30, 2007**

**9. MORTGAGE NOTES: (Continued)**

Following is a summary of outstanding long-term debt as of June 30, 2007 and 2006.

	<u>2007</u>	<u>2006</u>
Total Due RUS at an average interest rate of 5.02% at 6-30-07 and 5.10% at 6-30-06. Maturities 2005 to 2041	\$30,247,185	\$15,942,961
Total Due CEC at an average interest rate of 5.08% at 6-30-07 and 5.00% at 6-30-06. Maturities 2007 to 2033	6,640,078	6,922,581
Total Due FFB at a 5.33% and 5.33% average rate at 6/30/07 and 6/30/06 with installment payments due for 35 years.	<u>27,498,866</u>	<u>27,915,454</u>
	\$64,386,129	\$50,780,996
Less: Current Maturities	<u>1,588,000</u>	<u>1,405,000</u>
	<u>\$62,798,129</u>	<u>\$49,375,996</u>

Renewable, variable interest, line of credit funds of \$11,500,000 are available from CFC, and undrawn approved loan funds of \$2,987,000 from RUS and \$2,000,000 from FFB.

Principal and interest installments of approximately \$4,800,000 on the above long term notes are due in the next 12 months. As of June 30, 2007 annual principal payments on long term debt outstanding for the next five years are estimated as follows:

2008	1,588,000
2009	1,690,000
2010	1,740,000
2011	1,792,000
2012	1,848,000

**10. PENSION PLAN:**

Substantially all of the Corporation's employees participate in a defined contribution pension plan which provides for contributions from the employer and also from employees on a sliding scale determined by age and/or service.

**BLUE RIDGE MOUNTAIN ELECTRIC MEMBERSHIP CORPORATION**

**YOUNG HARRIS, GEORGIA**

**Notes to Financial Statements**

**June 30, 2007**

**10. PENSION PLAN:**

The plan is funded by both individual insurance contracts and an investment fund managed by Aetna Life Insurance Company for the trustees of the employees pension trust. Pension cost of the Corporation was approximately \$459,258 for the year ended June 30, 2007 and \$426,217 for the year ended June 30, 2006.

The Corporation also has a deferred compensation plan and trust administered by Aetna Life Insurance Company which was established under the guidelines of the Internal Revenue Code Section 401(k). Virtually all employees are eligible for the plan which allows employees to elect to have compensation reduced by up to 15%. Contributions by the employer, (on a 3% matching basis) totaling \$192,060, have been made in this period.

**11. ACCUMULATED POST RETIREMENT BENEFIT OBLIGATIONS:**

In addition to providing pension benefits, Blue Ridge provides certain post retirement medical insurance benefits for eligible employees. Eligibility for these benefits is the attainment of age 55 with 25 years of service.

Retirees under age 65 must pay 20% of the premium and over 65 100%, likewise with dependent coverage.

The net Periodic Postretirement Benefit cost for the fiscal year ending June 30, 2007 is assumed to be as follows:

Service Cost	\$138,100
Interest Cost	150,400
Amortization of Transition Obligation	16,900
Amortization - Catch up cost (See note #7)	<u>79,578</u>
Net Periodic Postretirement Benefit Cost	<u>\$384,978</u>
Return pay-as-you-go cost for year ended 6/30/07	<u>\$45,280</u>

**BLUE RIDGE MOUNTAIN ELECTRIC MEMBERSHIP CORPORATION**

**YOUNG HARRIS, GEORGIA**

**Notes to Financial Statements  
June 30, 2007**

**11. ACCUMULATED POST RETIREMENT BENEFIT OBLIGATIONS: (Continued)**

	<u>2007</u>	<u>2006</u>
Accrued Post Retirement Benefit Cost as of June 30:	<u>\$2,847,700</u>	<u>\$ 1,164,248</u>

The weighted average assumed discount rate is 5.75% with health care cost trend rate from 11% down to 6% in 2016.

**12. POWER AND ENERGY SUPPLY CONTRACT:**

The Corporation and TVA are parties to a contract, effective thru 2008 unless terminated in accordance with its provision, requiring the Corporation to purchase from TVA, and TVA to supply all of the Corporation's power and energy requirements. A subsequent amendment allows Blue Ridge to purchase a small portion of its requirements from other sources. TVA's rates charged to the Corporation and other wholesale customers are set so as to provide for payment of TVA's operation, maintenance, and tax expenses and to meet TVA debt service requirements in compliance with the Tennessee Valley Authority Act. The Corporation's rate-making process is subject to approval by RUS and TVA.

**13. WEATHERIZATION LOAN PROGRAM:**

This program, to make installment loans to consumers for the acquisition of heat pumps and needed home insulation, is the outgrowth of a TVA loan program, which Blue Ridge assumed.

	<u>2007</u>	<u>2006</u>
Total Consumer Loans Outstanding	\$1,231,181	\$973,134
Less: Current Portion	<u>301,764</u>	<u>259,198</u>
Installment due in over 12 months	<u>\$ 929,417</u>	<u>\$713,936</u>

**BLUE RIDGE MOUNTAIN ELECTRIC MEMBERSHIP CORPORATION**

**YOUNG HARRIS, GEORGIA**

**Notes to Financial Statements**

**June 30, 2007**

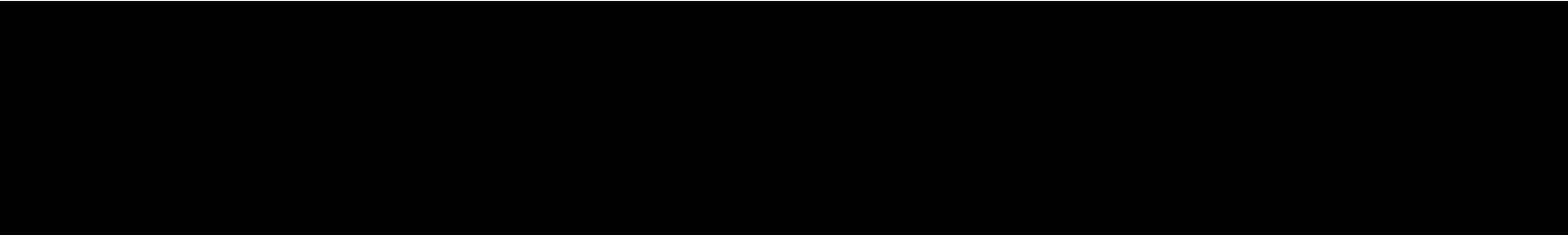
- 13. WEATHERIZATION LOAN PROGRAM: (Continued)**  
Allowances for uncollectible are considered included in the provisions of \$106,083 provided for Accounts Receivable.
- 14. UNBILLED REVENUE:**  
Blue Ridge Mountain EMC, in 1992, began recognizing unbilled revenue as income when power was delivered. The amounts accrued of \$2,681,588 in 2007 and \$2,603,562 in 2006, are included in Accounts Receivable.
- 15. UNINSURED DEPOSITS:**  
Balances in general operating fund accounts in area banks may exceed federally insured coverage by \$600,000 to \$1,000,000 at various times during the monthly operating cycle.
- 16. ADVERTISING:**  
All expenditures for advertising are charged to expense as incurred.
- 17. ESTIMATES:**  
The preparation of financial statements in conformity with generally accepted accounting principles requires the Blue Ridge Mountain EMC management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.
- 18. OTHER DEFERRED CREDITS:**  
Blue Ridge received a credit from the Georgia Electric Membership Corporation representing their share of the overpayment of a cooperative plan workmen's compensation insurance cost in prior years. The amount will be applied to future workmen's compensation insurance expense.
- 19. CONTINGENT LIABILITIES:**  
Blue Ridge has adopted a policy to compensate employees, upon retirement, for a portion of their unused sick pay allowance. The amount is calculated on years of service, minimum service requirement is 15 years with maximum payment due for 30 years service. The maximum payment is equal to 50 days pay. Due to the complexity of the policy and the mitigating effect of the savings upon granting early retirement, management considers it impractical to quantify the liability, except that the accrued amount should not materially affect the financial position of Blue Ridge Mountain EMC.
- 20. ADJUSTMENT TO JUNE 30, 2006 MARGINS:**  
Due to a computer malfunction 2006 margins were understated by \$9,020. The amounts presented in this report reflect this correction.

North Georgia Network  
 Attachment H – Subscriber Estimates

			Year 0				Year 1				Year 2				Year 3				Year 4				Year 5			
			Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Household Subscribers	Service Type 1 - Internet	Net add-ons																								
		Cumulative subscribers																								
Business Customers	Service Type 1 - Transport and Internet	Net add-ons																								
		Cumulative subscribers																								
Strategic Institutions	Service Type 1 - Transport and Internet	Net add-ons																								
		Cumulative subscribers																								
Service Providers	Service Type 1 - Transport and Internet	Net add-ons																								
		Cumulative subscribers																								

North Georgia Network – Confidential

Subscriber estimates for the NGN network were developed using the following process:



North Georgia Network  
Attachment K – Income Statement

	Forecast Period					
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Revenues</b>						
Network Services Revenues						
Local Voice Service						
Broadband Data						
Video Service						
Network Access Service Revenues						
Universal Service Fund						
Toll Service/Long Distance Voice						
Installation Revenues						
Other Operating Revenues						
Other Revenues						
Uncollectible Revenues						
<b>Total Revenues</b>						
<b>Expenses</b>						
Backhaul						
Network Maintenance/Monitoring						
Utilities						
Leasing						
Sales/Marketing						
Customer Care						
Billing						
Corporate G&A						
Tech Support						
Other Operating Expenses						
<b>Total Expenses</b>						
<b>EBITDA</b>						
Depreciation						
Amortization						
<b>Earnings Before Interest and Taxes</b>						
Interest Expense - New RUS Debt						
Interest Expense - Existing RUS Debt						
Interest Expense - Other						
<b>Income Before Taxes</b>						
Property Tax						
Income Taxes						
<b>Net Income</b>						
<b>Cumulative</b>						

North Georgia Network – Confidential

North Georgia Network  
Attachment L – Balance Sheet

	Forecast Period					
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Assets						
Current Assets						
Cash						
Marketable Securities						
Accounts Receivable						
Notes Receivable						
Inventory						
Prepayments						
Other Current Assets						
<b>Total Current Assets</b>						
Non-Current Assets						
Long Term Investments						
Amortizable Asset (Net of Amortization)						
Plant in Service						
Less: Accumulated Depreciation						
Net Plant						
Other						
<b>Total Non-Current Assets</b>						
<b>Total Assets</b>						
Liabilities and Owners' Equity						
Current Liabilities						
Accounts Payable						
Notes Payable						
Current Portion - Total RUS Debt						
Current Portion - Other Debt						
Other Current Liabilities						
<b>Total Current Liabilities</b>						
Long Term Liabilities						
Existing RUS Debt						
Proposed RUS Debt						
Existing non-RUS Debt						
Proposed Other Debt						
<b>Total Long Term Liabilities</b>						
Owners' Equity						
Capital Stock						
Additional Paid-in Capital						
Capital Contributions - BTOP						
Capital Contributions - State Grant						
Capital Contributions - Other						
Patronage Capital Credits						
Retained Earnings						
<b>Total Owners' Equity</b>						
<b>Total Liabilities and Owners' Equity</b>						

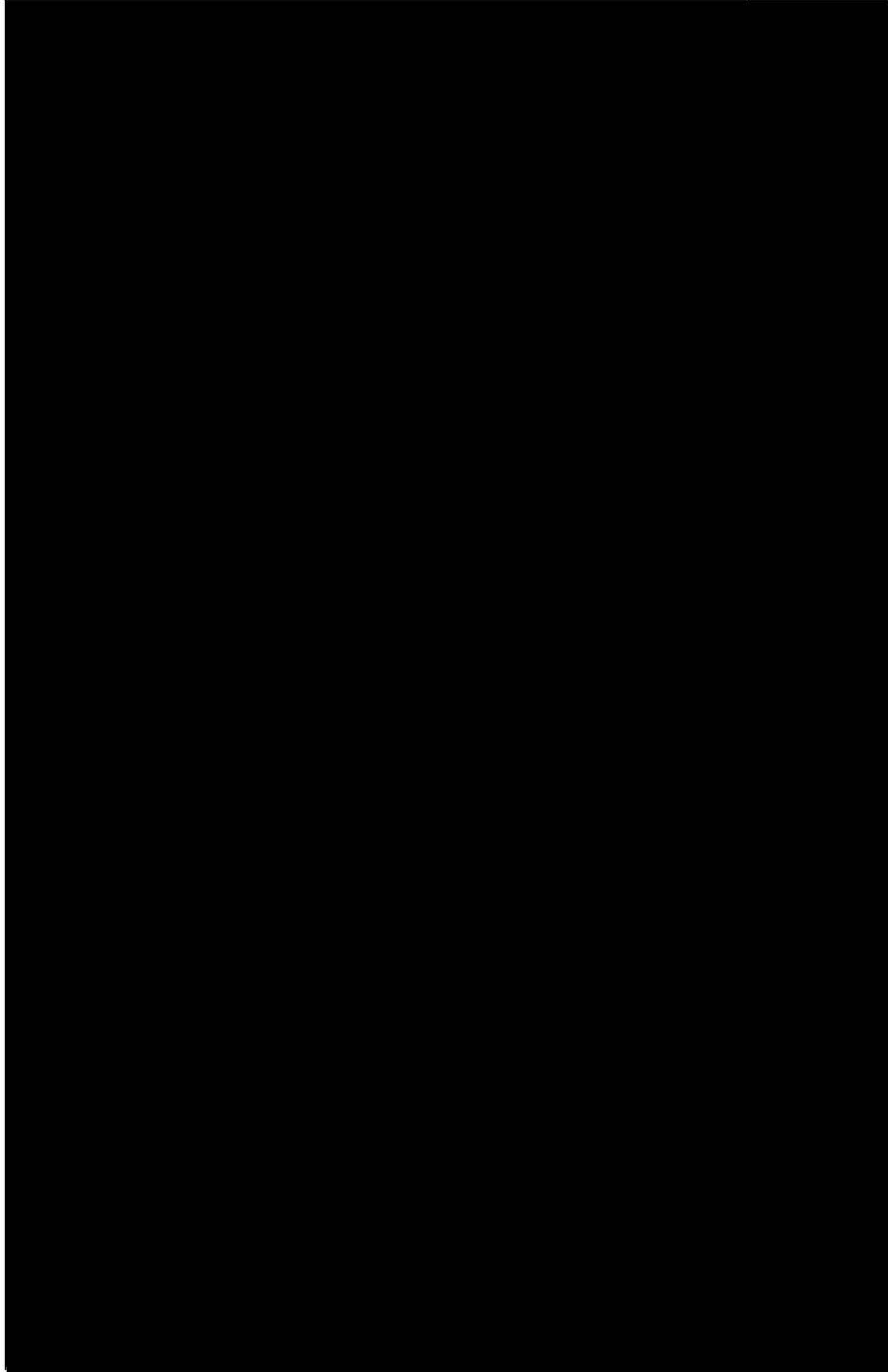


North Georgia Network  
 Attachment M – Statement of Cashflows

	Forecast Period					
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Beginning Cash</b>						
Cash Flows from Operating Activities						
Net Income						
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities						
Changes in Current Assets and Liabilities						
Marketable Securities						
Accounts Receivable						
Inventory						
Prepayments						
Other Current Assets						
Accounts Payable						
Other Current Liabilities						
<b>Net Cash Provided (Used) by Operations</b>						
Cash Flows from Financing Activities						
Notes Receivable						
Notes Payable						
Principal Payments						
New Borrowing						
Additional Paid-in Capital						
Capital Contributions - BTOP						
Capital Contributions - State Grant						
Capital Contributions - Other						
Additions to Patronage Capital Credits						
Payments of Dividends						
<b>Net Cash Provided by Financing Activities</b>						
Cash Flows From Investing Activities						
Capital Expenditures						
Amortizable Asset (Net of Amortization)						
Long-Term Investments						
<b>Net Cash Used by Investing Activities</b>						
<b>Net Increase (Decrease) in Cash</b>						
<b>Ending Cash</b>						

Question 50 - Financial Assumptions

Assumed Value



Certification Requirements for BTOP

**U.S. Department of Commerce  
Broadband Technology Opportunities Program**

I certify that I am the duly authorized representative of the applicant organization, and that I have been authorized to submit the attached application on its behalf. A copy of the applicant organization's authorization for me to submit this application as its official representative is on file in the applicant's office, and I am identified as the applicant organization's Authorized Organization Representative (AOR) in the Central Contractor Registration database. By signing this certification, I certify that the statements contained in the application are true, complete, and accurate to the best of my knowledge, and that if an award is made, the applicant organization will comply with all applicable award terms and conditions.

August 12, 2009

(Date)



(Authorized Representative's Signature)

Lee Ann Roy

Name:

Grant Manager

Title:

Certification Requirements for BTOP

---

**U.S. Department of Commerce  
Broadband Technology Opportunities Program**

---

(i) I certify that I am authorized to submit this grant application on behalf of the eligible entity(ies) listed on this application, that I have examined this application, that all of the information and responses in this application, including certifications, and forms submitted, all of which are part of this grant application, are material representations of fact and true and correct to the best of my knowledge, that the entity(ies) that is requesting grant funding pursuant to this application and any subgrantees and subcontractors will comply with the terms, conditions, purposes, and federal requirements of the grant program; that no kickbacks were paid to anyone; and that a false, fictitious, or fraudulent statements or claims on this application are grounds for denial or termination of a grant award, and/or possible punishment by a fine or imprisonment as provided in 18 U.S.C. §1001 and civil violations of the False Claims Act.

(ii) I certify that the entity(ies) I represent have and will comply with all applicable federal, state, and local laws, rules, regulations, ordinances, codes, orders and programmatic rules and requirements relating to the project. I acknowledge that failure to do so may result in rejection or deobligation of the grant or loan award. I acknowledge that failure to comply with all federal and program rules could result in civil or criminal prosecution by the appropriate law enforcement authorities.

(iii) I certify that the entity(ies) I represent has and will comply with all applicable administrative and federal statutory, regulatory, and policy requirements set forth in the DOC Pre-Award Notification, published in the Federal Register on February 11, 2008 (73 FR 7696), as amended; DOC Financial Assistance Standard Terms and Conditions (Mar. 8, 2009); DOC American Recovery and Reinvestment Act Award Terms (April 9, 2009); and any Special Award Terms and Conditions that are included by the Grants Officer in the award."

8-8-09  
(Date)

  
(Authorized Representative's Signature)

Todd Pealock  
Name:

Chairman, North Georgia Network Cooperative, Inc  
Title:

**ASSURANCES - CONSTRUCTION PROGRAMS**

Public reporting burden for this collection of information is estimated to average 15 minutes per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Office of Management and Budget, Paperwork Reduction Project (0348-0042), Washington, DC 20503.

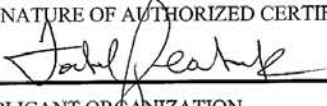
**PLEASE DO NOT RETURN YOUR COMPLETED FORM TO THE OFFICE OF MANAGEMENT AND BUDGET. SEND IT TO THE ADDRESS PROVIDED BY THE SPONSORING AGENCY.**

NOTE: Certain of these assurances may not be applicable to your project or program. If you have questions, please contact the Awarding Agency. Further, certain Federal assistance awarding agencies may require applicants to certify to additional assurances. If such is the case, you will be notified.

As the duly authorized representative of the applicant, I certify that the applicant:

<p>1. Has the legal authority to apply for Federal assistance, and the institutional, managerial and financial capability (including funds sufficient to pay the non-Federal share of project costs) to ensure proper planning, management and completion of the project described in this application.</p> <p>2. Will give the awarding agency, the Comptroller General of the United States and, if appropriate, the State, through any authorized representative, access to and the right to examine all records, books, papers, or documents related to the assistance; and will establish a proper accounting system in accordance with generally accepted accounting standards or agency directives.</p> <p>3. Will not dispose of, modify the use of, or change the terms of the real property title, or other interest in the site and facilities without permission and instructions from the awarding agency. Will record the Federal interest in the title of real property in accordance with awarding agency directives and will include a covenant in the title of real property acquired in whole or in part with Federal assistance funds to assure non-discrimination during the useful life of the project.</p> <p>4. Will comply with the requirements of the assistance awarding agency with regard to the drafting, review and approval of construction plans and specifications.</p> <p>5. Will provide and maintain competent and adequate engineering supervision at the construction site to ensure that the complete work conforms with the approved plans and specifications and will furnish progress reports and such other information as may be required by the assistance awarding agency or State.</p> <p>6. Will initiate and complete the work within the applicable time frame after receipt of approval of the awarding agency.</p> <p>7. Will establish safeguards to prohibit employees from using their positions for a purpose that constitutes or presents the appearance of personal or organizational conflict of interest, or personal gain.</p>	<p>8. Will comply with the Intergovernmental Personnel Act of 1970 (42 U.S.C. 4728-4763) relating to prescribed standards for merit systems for programs funded under one of the 19 statutes or regulations specified in Appendix A of OPM's Standards for a Merit System of Personnel Administration (5 C.F.R. 900, Subpart F).</p> <p>9. Will comply with the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4801 et seq.) which prohibits the use of lead-based paint in construction or rehabilitation of residence structures.</p> <p>10. Will comply with all Federal statutes relating to non-discrimination. These include but are not limited to: (a) Title VI of the Civil Rights Act of 1964 (P.L. 88-352) which prohibits discrimination on the basis of race, color or national origin; (b) Title IX of the Education Amendments of 1972, as amended (20 U.S.C. 1681-1683, and 1685-1686), which prohibits discrimination on the basis of sex; (c) Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. 794), which prohibits discrimination on the basis of handicaps; (d) the Age Discrimination Act of 1975, as amended (42 U.S.C. 6101-6107), which prohibits discrimination on the basis of age; (e) the Drug Abuse Office and Treatment Act of 1972 (P.L. 92-255), as amended, relating to nondiscrimination on the basis of drug abuse; (f) the Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment and Rehabilitation Act of 1970 (P.L. 91-616), as amended, relating to nondiscrimination on the basis of alcohol abuse or alcoholism; (g) 523 and 527 of the Public Health Service Act of 1912 (42 U.S.C. 290 dd-3 and 290 ee-3), as amended, relating to confidentiality of alcohol and drug abuse patient records; (h) Title VIII of the Civil Rights Act of 1968 (42 U.S.C. 3601 et seq.), as amended relating to nondiscrimination in the sale, rental or financing of housing; (i) any other nondiscrimination provisions in the specific statute(s) under which application for Federal assistance is being made; and (j) the requirements of any other nondiscrimination statute(s) which may apply to the application.</p>
---	--

<p>11. Will comply, or has already complied, with the requirements of Titles II and III of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (P.L. 91-646) which provide for fair and equitable treatment of persons displaced or whose property is acquired as a result of Federal and federally-assisted programs. These requirements apply to all interests in real property acquired for project purposes regardless of Federal participation in purchases.</p>		<p>National Environmental Policy Act of 1969 (P.L. 91-190) and Executive Order (EO) 11514; (b) notification of violating facilities pursuant to EO 11738; (c) protection of wetlands pursuant to EO 11990; (d) evaluation of flood hazards in flood plains in accordance with EO 11988; (e) assurance of project consistency with the approved State management program developed under the Coastal Zone Management Act of 1972 (16 U.S.C. 1451 et seq.); (f) conformity of Federal actions to State (Clean Air) Implementation Plans under Section 176(c) of the Clean Air Act of 1955, as amended (42 U.S.C. 7401 et seq.); (g) protection of underground sources of drinking water under the Safe Drinking Water Act of 1974, as amended (P.L. 93-523); and (h) protection of endangered species under the Endangered Species Act of 1973, as amended (P.L. 93-205).</p>
<p>12. Will comply with the provisions of the Hatch Act (5 U.S.C. 1501-1508 and 7324-7328) which limit the political activities of employees whose principal employment activities are funded in whole or in part with Federal funds.</p>		<p>16. Will comply with the Wild and Scenic Rivers Act of 1968 (16 U.S.C. 1271 et seq.) related to protecting components or potential components of the national wild and scenic rivers system.</p>
<p>13. Will comply, as applicable, with the provision of the Davis-Bacon Act (40 U.S.C. 276a to 276a-7), the Copeland Act (40 U.S.C. 276c and 18 U.S.C.874), and the Contract Work Hours and Safety Standards Act (40 U.S.C. 327-333) regarding labor standards of federally assisted construction subagreements.</p>		<p>17. Will assist the awarding agency in assuring compliance with Section 106 of the National Historic Preservation Act of 1966, as amended (16 U.S.C. 470), EO 11593 (identification and protection of historic properties), and the Archaeological and Historic Preservation Act of 1974 (16 U.S.C. 469a-1 et seq.).</p>
<p>14. Will comply with flood insurance purchase requirements of Section 102(a) of the Flood Disaster Protection Act of 1973 (P.L. 93-234) which requires recipients in a special flood hazard area to participate in the program and to purchase flood insurance if the total cost of insurable construction and acquisition is \$10,000 or more.</p>		<p>18. Will cause to be performed the required financial and compliance audits in accordance with the Single Audit Act Amendments of 1996 and OMB Circular No. A-133, AAudits of States, Local Governments, and Non-Profit Organizations.@</p>
<p>15. Will comply with environmental standards which may be prescribed pursuant to the following: (a) institution of environmental quality control measures under the</p>		<p>19. Will comply with all applicable requirements of all other Federal laws, executive orders, regulations, and policies governing this program.</p>

<p>SIGNATURE OF AUTHORIZED CERTIFYING OFFICIAL</p> 	<p>TITLE</p> <p>Chairman</p>
<p>APPLICANT ORGANIZATION</p> <p>North Georgia Network Cooperative Inc</p>	<p>DATE SUBMITTED</p> <p>8-8-09</p>

**CERTIFICATION REGARDING LOBBYING**

Applicants should also review the instructions for certification included in the regulations before completing this form. Signature on this form provides for compliance with certification requirements under 15 CFR Part 28, "New Restrictions on Lobbying." The certifications shall be treated as a material representation of fact upon which reliance will be placed when the Department of Commerce determines to award the covered transaction, grant, or cooperative agreement.

**LOBBYING**

As required by Section 1352, Title 31 of the U.S. Code, and implemented at 15 CFR Part 28, for persons entering into a grant, cooperative agreement or contract over \$100,000 or a loan or loan guarantee over \$150,000 as defined at 15 CFR Part 28, Sections 28.105 and 28.110, the applicant certifies that to the best of his or her knowledge and belief, that:

(1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

(2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

(3) The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly. This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into.

Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure occurring on or before October 23, 1996, and of not less than \$11,000 and not more than \$110,000 for each such failure occurring after October 23, 1996.

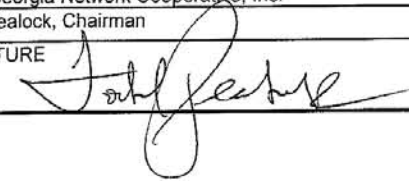
**Statement for Loan Guarantees and Loan Insurance**

The undersigned states, to the best of his or her knowledge and belief, that:

If any funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this commitment providing for the United States to insure or guarantee a loan, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

Submission of this statement is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required statement shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure occurring on or before October 23, 1996, and of not less than \$11,000 and not more than \$110,000 for each such failure occurring after October 23, 1996.

**As the duly authorized representative of the applicant, I hereby certify that the applicant will comply with the above applicable certification.**

NAME OF APPLICANT	AWARD NUMBER AND/OR PROJECT NAME
North Georgia Network Cooperative, Inc.	North Georgia Network
Todd Pealock, Chairman	
SIGNATURE 	DATE 8-8-09

Form SF-LLL does not apply to applicant. NGN has no lobbying activities to disclose.

**INSTRUCTIONS FOR COMPLETION OF SF-LLL, DISCLOSURE OF LOBBYING ACTIVITIES**

This disclosure form shall be completed by the reporting entity, whether subawardee or prime Federal recipient, at the initiation or receipt of a covered Federal action, or a material change to a previous filing, pursuant to title 31 U.S.C. section 1352. The filing of a form is required for each payment or agreement to make payment to any lobbying entity for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with a covered Federal action. Complete all items that apply for both the initial filing and material change report. Refer to the implementing guidance published by the Office of Management and Budget for additional information.



**Attachment Q**  
**CD-512 Certification Regarding Lobbying—Lower-Tier Covered Transactions.**

This certification is not required until the time of grant award because it applies to subcontractors, etc.

Source: page 28, printed application distributed at NTIA/RUS workshop July 14, 2009 at Birmingham, AL

North Georgia Network Cooperative, Inc.

Q 41. Attachments to Government and other Key Partnerships

This attachment contains information supporting Question 41 of BTOP application.

Included are:

Table: Key Partners (Public and Private)

Table: Sample of Anchor Institutions as potential customers

Chart: Structure of Community Advisory Board to NGN

Letters of Support:

State of Georgia, OneGeorgia Authority

State Senate, Economic Development Committee

State House of Representatives, Science and Technology Committee

Lumpkin County Development Authority

Dawson County Development Authority

White County Government

Union County Development Authority

Forsyth County Government

North Georgia College & State University

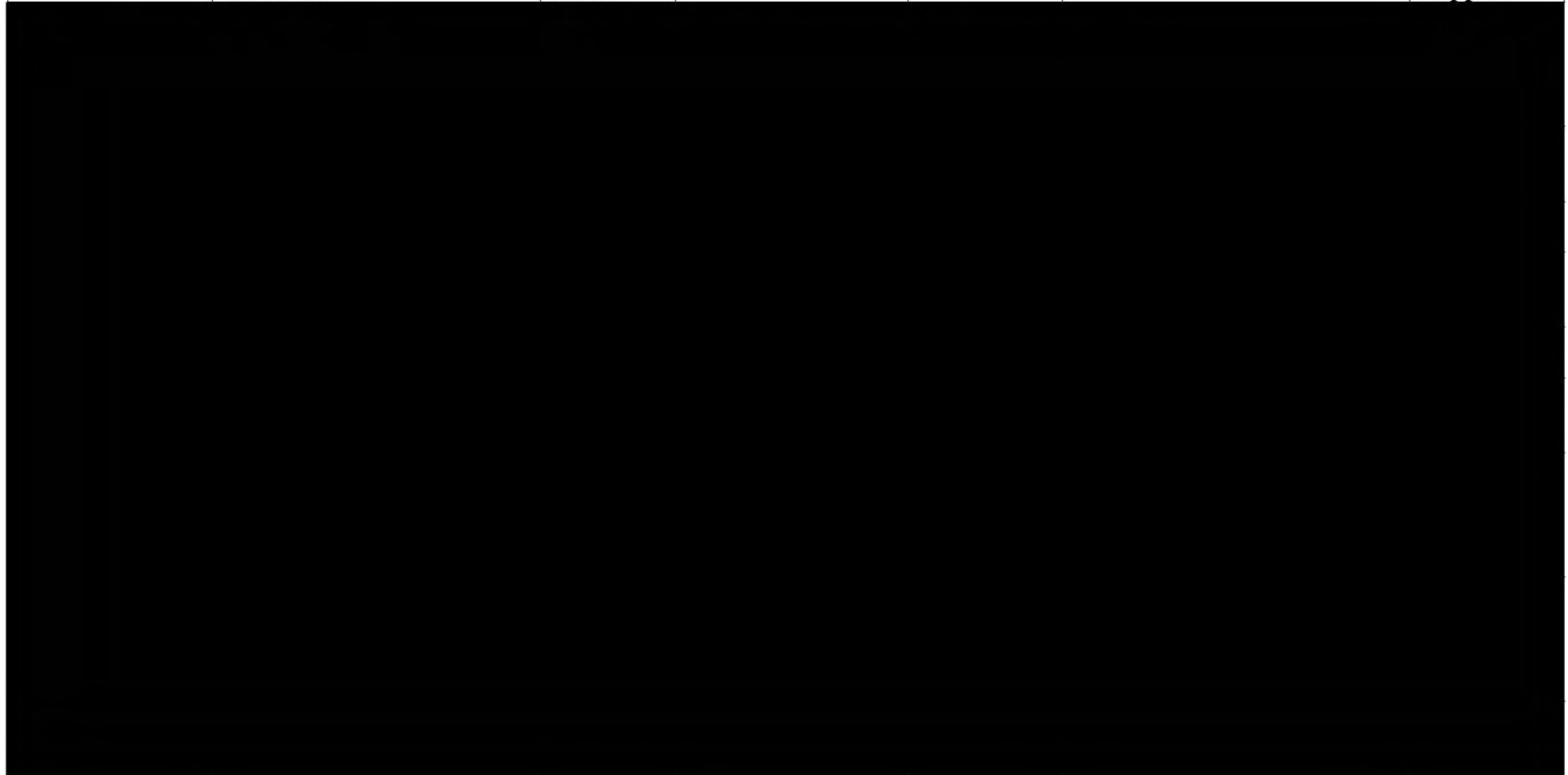
Georgia Tech Enterprise Innovation Institute

Ellijay Telephone Company

Mountain Regional Library System

**Key Partners—North Georgia Network Cooperative, Inc.**

<b>Organization</b>	<b>Role/ Contributios</b>	<b>Contact name</b>	<b>Address</b>	<b>Phone</b>	<b>email</b>	<b>Letter of Support</b>
---------------------	-------------------------------	-------------------------	----------------	--------------	--------------	------------------------------



**Unaffiliated/Community Anchor Institutions**

(sampling of prospective network customers, per personal interviews Dec. 2008-Jan. 2009)

<b>Organization</b>	<b># Employees</b>	<b>Total # Buildings</b>	<b># Public Safety Buildings</b>	<b>Willing/able to collaborate to improve state of broadband infrastructure?</b>
---------------------	--------------------	--------------------------	----------------------------------	--

--	--	--	--	--

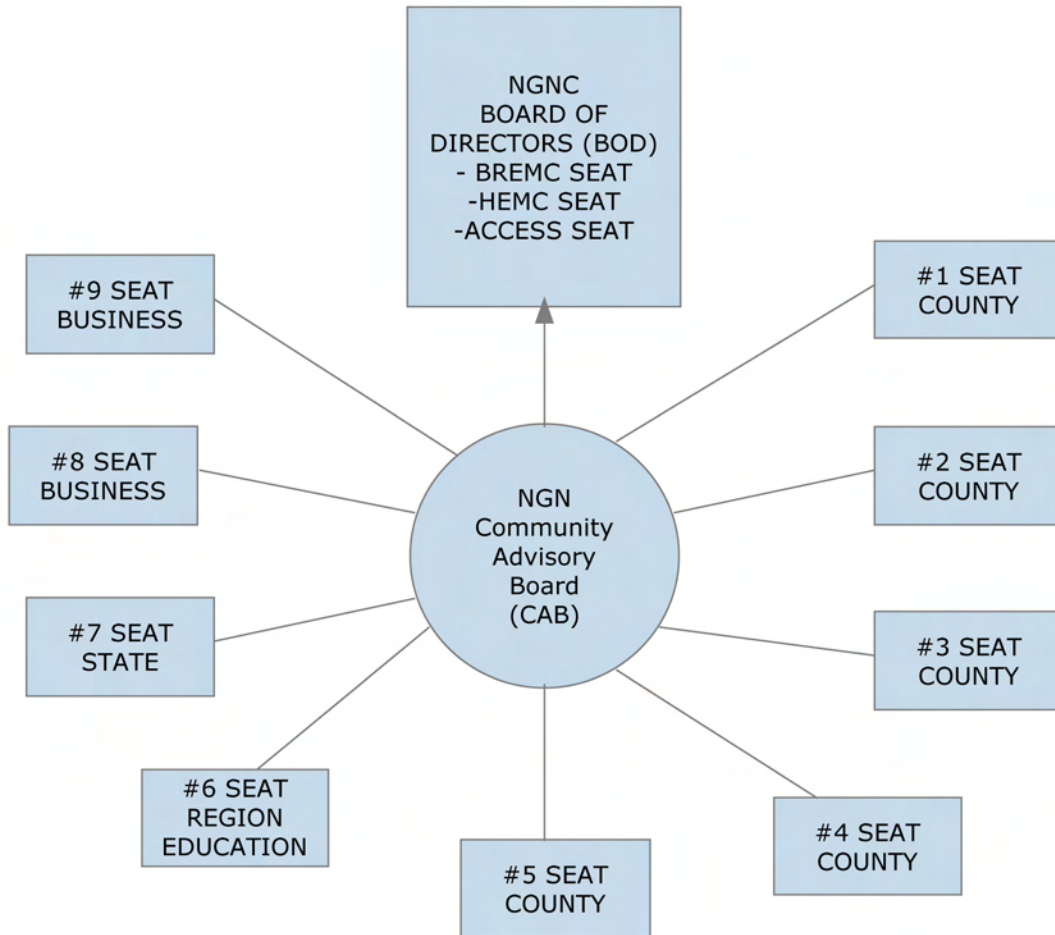
<b>Organization</b>	<b># Employees</b>	<b># Students</b>	<b>Total # Buildings</b>	<b>Consider shifting e-rate to new public infrastructure?</b>	<b>Barriers to this approach?</b>
---------------------	--------------------	-------------------	--------------------------	---	-----------------------------------

--	--	--	--	--	--

# COMMUNITY ADVISORY BOARD

Organization and Roles of Community Advisory Board

NORTH GEORGIA NETWORK COOPERATIVE



## NOTES ON CAB

- 5 county seats are initially 5 original counties – can change as needed
- college serves region education seat
- state agency serves state seat
- 2 region oriented businesses serve business seats
- CAB role is: guidance and community input to BOD; evaluation, recommendation, and coordination of projects and network expansion; political, business, community liaison
- CAB has formal application process for new involvement and network expansion
- CAB assembles grants for local/regional projects in network expansion
- CAB serves as governmental access and control point

1202-B Hillcrest Parkway • Dublin, Georgia 31021  
phone (478) 274-7734 • fax (478) 274-7727  
www.onegeorgia.org

# OneGeorgia Authority



August 6, 2009

Broadband Technology Opportunities Program  
National Telecommunications and Information Administration  
United States Department of Commerce  
1401 Constitution Ave., NW  
HCHB, Room 4812  
Washington, DC 20230

Greetings from the State of Georgia:

The State of Georgia, through its strategic economic development funding agency, the OneGeorgia Authority, with Governor Sonny Perdue as its Chair, is pleased to support the North Georgia Network (NGN) in their efforts to bring abundant and accessible broadband to the north Georgia region.

As Director of the OneGeorgia Authority, I have personally been involved in the creation and organization of this effort since its inception. OneGeorgia supported a similar community broadband project in South Georgia, and we are equally enthusiastic about a parallel project in the northern part of our state.

OneGeorgia originally funded a \$240,000 study to evaluate and recommend the broadband needs in North Georgia, which resulted in this current NGN project. This project is consistent with our state's and Authority's economic development goals and we expect it to provide short-term and long-term economic stimulus. The NGN organization, with its foundation in local communities and local Electric Membership Corporations, is a scalable, workable model which we anticipate will help other parts of Georgia also reach broadband capability.

The State of Georgia, in concert with efforts such as NGN, supports the building of infrastructure and a workforce for a new generation of higher-paying jobs and activity which will be predicated on broadband. We appreciate your consideration on the NGN project, and look forward to working with the federal government to enable a new, promising future for our citizens.

Sincerely,

Nancy C. Cobb, CEcD  
Executive Director

NCC/gb

**Chairman**  
Governor Sonny Perdue

**Vice Chairman**  
Lt. Governor Casey Cagle

DCA Commissioner  
Mike Beatty

GDEcD Commissioner  
Ken Stewart

OPB Director  
Trey Childress

Revenue Commissioner  
Bart Graham

**Executive Director**  
Nancy C. Cobb

**Chip Pearson**  
District 51  
P.O. Box 209  
Dawsonville, Georgia 30534  
Tel (678) 341-6203  
Fax (770) 844-5821

321 – B Legislative Office Building  
18 Capitol Square, SW  
Atlanta, Georgia 30034  
Tel (404) 656-9221  
Fax (404) 657-3248

E-mail: [chip.pearson@senate.ga.gov](mailto:chip.pearson@senate.ga.gov)



**The State Senate**  
Atlanta, Georgia 30334

**COMMITTEES:**

Chairman, Economic Development  
Vice Chairman, Transportation  
Administrative Affairs  
Appropriations  
Rules  
Insurance and Labor (Ex Officio)  
Committee on Assignments (Ex Officio)

August 6, 2009

Broadband Technology Opportunities Program  
National Telecommunications and Information Administration  
United States Department of Commerce  
1401 Constitution Ave., NW  
HCHB, Room 4812  
Washington, DC 20230

Re: North Georgia Network project

To Whom It May Concern:

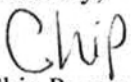
As Chairman of the Georgia Senate's Economic Development Committee, I write this letter to express my enthusiastic support of the proposed North Georgia Network (NGN) and my support of NGN's application for grant funding through the Broadband Technology Opportunities Program.

Affordable, reliable, high speed broadband service is critical to the recovery of this area of the state, where multiple textile plant closures and a dwindling manufacturing base were already taking a serious toll, even before the recession. The advanced broadband capability launched by this regional fiber ring will spur business growth and expansion, opening up new economic opportunity for rural North Georgia residents.

The North Georgia Network is the result of more than two years of research, feasibility planning and preparation by local economic development leaders and other partners committed to creating a better future for the region. Today, NGN presents for your consideration a solid, viable, sustainable and shovel-ready broadband infrastructure project with the potential to transform the region and enable it to prosper, both in the short-term and in the long-term.

I have been excited to see this collaborative project grow from its community-based foundation into a regional, scalable model with potential for replication in other parts of the state and beyond. I appreciate the federal government's commitment to the nation's economic recovery and trust you will find NGN's application worthy of your serious consideration for funding.

Sincerely,

  
Chip Pearson, SS51



## House of Representatives

AMOS AMERSON  
REPRESENTATIVE, DISTRICT 9  
689 N. CHESTATEE STREET  
DAHLONEGA, GEORGIA 30533

E-MAIL: amos.amerson@house.ga.gov

STATE CAPITOL, ROOM 401  
ATLANTA, GEORGIA 30334  
(404) 657-8534  
(404) 651-9730 (FAX)

August 6, 2009

STANDING  
COMMITTEES:

APPROPRIATIONS  
HIGHER EDUCATION  
ENERGY, UTILITIES & TELECOMMUNICATIONS  
SCIENCE & TECHNOLOGY - CHAIRMAN

Broadband Technology Opportunities Program  
National Telecommunications and Information Administration  
United States Department of Commerce  
1401 Constitution Ave., NW  
HCHB, Room 4812  
Washington, DC 20230

Re: North Georgia Network project

To Whom It May Concern:

I write today to express my unreserved support for the proposed North Georgia Network broadband infrastructure project and for the application being submitted to the National Telecommunications and Information Administration to fund it.

As chairman of the Georgia House of Representatives' Science and Technology Committee, I am in a position to see much promising work coming out of the state's top medical institutions and research universities. Tremendous strides in research and development have been made recently, for example, in the areas of biomedicine and sustainable energy. Moving these kinds of activities forward to drive new applications and develop new job-rich niche industries requires advanced broadband services that rural Georgia sorely lacks. Outside of our major metropolitan areas, broadband capacity is not currently available at speeds sufficient to support today's cutting-edge businesses and technologies, leaving many rural residents unable to participate in the new digital economy.

The North Georgia Network will provide the infrastructure—the speed, redundancy, multiple-carrier availability and affordability—necessary for existing and newly emerging companies to thrive in a large region of our state that has realized only limited benefit from the Digital Age. Further, the network will encourage clean, technology-driven growth and development of a knowledge-based economy in rural Georgia that will help reduce serious traffic congestion and pollution in Atlanta and other larger cities.

The regional collaboration and “inclusive” spirit that has underpinned this non-profit project over more than two years of research and planning has been refreshing and unwavering. It is my opinion that a federal investment in the North Georgia Network will bring substantial and lasting benefits to the people of the region, the state and the nation.

Thank you for your serious consideration of this project.

Sincerely,



## DEVELOPMENT AUTHORITY OF LUMPKIN COUNTY



August 7, 2009

Broadband Technology Opportunities Program  
National Telecommunications and Information Administration  
United States Department of Commerce  
1401 Constitution Ave., NW  
HCHB Room 4812  
Washington, DC 20230

Greetings:

Please know of our enthusiastic and unconditional support for the North Georgia Network project and its efforts to bring broadband capability and economic, educational and social uplift to our region.

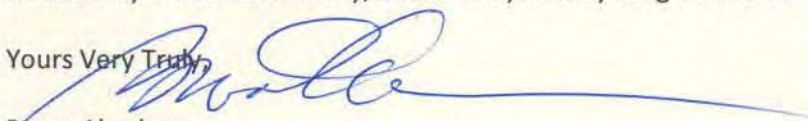
The Lumpkin County Development Authority was one of the originators and leaders of this project, and has served as the prime applicant for our OneGeorgia study grant, as well as organizer and administrator for this project. We ventured into broadband expansion here for a host of reasons: we have lost hundreds of manufacturing jobs which we do not expect to be replaced; we see broadband and internet-enabled activity as the industry of the future and we are currently unable to support that future; we know that our educational, business, governmental and social progress will be internet and broadband enabled, and that the invention and innovation arising from this activity will make our community, as well as our nation, competitive in a global economy.

More than two years ago we began to organize the North Georgia Network at the community level, talking to local governments, schools, colleges, businesses and medical providers. It was their need and their urging that took us down the path towards this regional project. The State of Georgia has supported us on this path, also realizing their responsibility to prepare their citizens for a digital future and a new generation of economic activity.

The Board of the Lumpkin County Development Authority has shouldered much of the expense and management of this project, believing there will be future rewards for our county, as well as our neighboring counties in the region. This project has caused our involved local organizations to realize that our collective community whole is immeasurably stronger than our parts.

Please know that we will continue to be unwavering in our leadership and support of this project. We humbly and thoughtfully request that the NTAI and the federal government help us bring this community dream into reality, and thank you for your gracious consideration.

Yours Very Truly,

  
Bruce Abraham  
Executive Director

# The Development Authority of Dawson County

137 Prominence Court Suite 230  
Dawsonville, GA 30534  
706.265.8761



Broadband Technology Opportunities Program  
National Telecommunications and Information Administration  
United States Department of Commerce  
1401 Constitution Ave., NW  
HCHB, Room 4812  
Washington, DC 20230

August 5, 2009

Re: North Georgia Network project

To Whom It May Concern:

As one of the founding partners of the North Georgia Network (NGN), the Development Authority of Dawson County would like to express its full support for the Broadband Technology Opportunities Program application through the National Telecommunications and Information Administration. Expanding outlying fiber optic backbones into this digitally underserved area is critical for the long-range economic development of Dawson County and the region. At the heart of this effort is the creation of new, higher paying jobs in our region. We are pleased that the NTIA has shown leadership in the creation of BTOP because it is focused on correcting a need long seen in our region.

The Development Authority has also strongly supported the concept of a regional partnership. It is our belief that singular efforts (public or private) will not produce the sustainable results that can be realized from project collaboration with our surrounding counties, and our business community. The Authority is proud of the fact that this is a broad based multi-sector partnership.

Providing an enhanced fiber based broadband core will offer new opportunities for clean industries that can help stimulate economic growth in our communities. Dawson County as with a number of our neighbors, is currently burdened with higher levels of unemployment than both the State of Georgia and the National averages. This project stands ready to immediately attack that issue.

The North Georgia Network will attract new higher tech businesses to our region; businesses that expect state of the art broadband capabilities. Further NGN will allow existing businesses the opportunity to expand without the need to relocate into more congested metropolitan areas.

The enhanced technology will provide major benefits in the areas of public service, healthcare and education. All of our public entities have fully supported this effort and are looking to this project to help improve intergovernmental communications and data sharing. The school district sees this as an opportunity to finally tap into global educational possibilities at an affordable level.

This project is a major step forward for the region and will help build a successful future for our counties, for Georgia and for the southern part of the United States. We fully support this effort and ask that you give this application your full consideration.

Sincerely,

Charlie Auvermann  
Executive Director



White County Community Development  
59 South Main Street  
Cleveland, Georgia 30528

August 6, 2009

Broadband Technology Opportunities Program  
National Telecommunications and Information Administration  
United States Department of Commerce  
1401 Constitution Avenue, N.W.  
Washington, D.C 20230

**Re: North Georgia Network Project**

To Whom It May Concern:

I would like to express my appreciation for your agency's leadership in providing and coordinating broadband opportunities leading to increased entrepreneurship and prosperity in our rural community. Having affordable fiber optic broadband access will address one our greatest local needs. The current lack of adequate broadband in our community is impeding business recruitment and expansion, job growth and wages, and limits the development of workforce skills. This opportunity will help our community to more fully compete in the global marketplace and provide a better quality of life for all.

In considering how we could improve access to fiber optic technology we realized that our community was too small to go at it alone. Therefore, it was important to reach out to neighboring counties in the region with similar concerns and needs. Initially a joint development authority was organized and our efforts focused on the need for improved broadband capabilities through the development of a regional fiber optic network. Such a network would improve the production capabilities of local industry, improve our chances to compete in the recruitment of new businesses, create entrepreneurship and improve technology based education within the local school systems and universities in the region. As we continued to refine our efforts the **North Georgia Network (NGN) Regional Fiber Optic Project** emerged as a collective partnership of the communities in our region.

Presently we have businesses in our community that cannot expand their production due to their limited ability to move the necessary electronic information in a timely and efficient manner. Most recently, a technology based business that would have provided jobs had decided not to relocate into our community due to the limited broadband capabilities. We are confident that with the **NGN Fiber Optic Network** our ability to improve production and recruit small technology based businesses will tremendously increase. This will make our region more attractive and stimulate economic development opportunities. The **NGN Project** will also improve access to higher education opportunities for workers and students in the region thus improving the skills of our labor force.

Again, thank you, and we look forward to working with your agency on the **NGN Project**.

Sincerely,

Tom O'Bryant, Director of Community and Economic Development  
White County, Georgia



**Union County**

**Development Authority**

August 14, 2009

Broadband Technology Opportunities Program  
National Telecommunications and Information Administration  
United States Department of Commerce  
1401 Constitution Avenue, NW, HCHB Room 4812  
Washington, DC 20230

RE: North Georgia Network Project

Dear Sirs and Mesdames:

The Union County Development Authority applauds the National Telecommunications and Information Administration (NTIA) for its forward-thinking leadership in providing the Broadband Technology Opportunities Program (BTOP). The development and deployment of broadband technology is critical to our nation's future and BTOP is essential to providing this crucial 21<sup>st</sup> Century infrastructure to rural and underserved areas such as ours.

The availability of broadband technology is necessary to our region's economic future. North Georgia is challenged with complex topography, a preponderance of federal lands and limited access to traditional transportation infrastructure. Our region must focus our economic development efforts on technology-based businesses, but we must be able to meet the infrastructure demands of such 21<sup>st</sup> century companies. Enhanced broadband capabilities will allow our region to be competitive in recruiting new technology-oriented businesses as well as provide immeasurable benefit to our existing businesses, health care facilities, school systems and local governments.

Union County has partnered with five other counties, a State university and two electric membership corporations to establish the North Georgia Network initiative to enhance broadband technology in our area by creating an open-access regional fiber optic network. The NGN partners represent diverse capabilities and expertise that make this effort possible and feasible but more importantly, are strongly united in purpose and the belief that this network will determine our region's economic future.

The Union County Development authority fully supports the North Georgia Network's application for assistance under BTOP and sincerely appreciates NTIA's full consideration of our request.

Sincerely,

Executive Director



**FORSYTH COUNTY  
INFORMATION TECHNOLOGY  
DEPARTMENT**

**110 East Main Street, Suite 130  
Cumming, GA 30040  
770-781-2108 / fax 678-513-5890**

Broadband Technology Opportunities Program  
National Telecommunications and Information Administration  
United States Department of Commerce  
1401 Constitution Ave., NW  
HCHB, Room 4812  
Washington, DC 20230

Re: North Georgia Network project

To Whom It May Concern:

I, John-David Rusk, Director of Information Technology at Forsyth County, am writing to you in support of the application submitted by North Georgia Network Cooperative for the North Georgia Fiber Project.

This funding is vital to the safety and well-being of Forsyth County and other residents of North Georgia and will assist Forsyth County along with North Georgia with access to technology resources not previously available.

This unique opportunity for collaboration among county governments toward a common goal can yield greater rewards than just added technology. By including regional colleges and technical schools in this project, it allows North Georgia to expand their broadband benefits by opening new classrooms in multiple counties giving greater access to citizens. Adding this technology infrastructure provides the framework to make enhanced learning techniques possible. This successful project could be used as an example for other regional projects and will leverage the potential the new technology brings.

Broadband technology funding will benefit North Georgia but also serve the public safety needs of Forsyth County and other counties' populations by allowing a connection between sheriff offices, fire departments, schools, and hospitals.

I believe the funding of this broadband project would assist our region in bringing economic development to the North Georgia area which would in turn support the well-being of its citizens, schools, public safety efforts and the lives of anyone living or visiting the North Georgia area. It is my sincere hope that you will give this application all due consideration.

Sincerely,

John-David Rusk  
Director of Information Technology  
Forsyth County



August 10, 2009

Broadband Technology Opportunities Program  
National Telecommunications and Information Administration  
United States Department of Commerce  
1401 Constitution Ave., NW  
HCHB, Room 4812  
Washington, DC 20230

Re: North Georgia Network project

To Whom It May Concern:

This letter is written in support of the North Georgia Network fiber optic infrastructure grant application. As an original partner in the development of the North Georgia Network concept, North Georgia College & State University has been working with the NGN team for over two years, from the first meetings with 5 counties through our application for OneGeorgia funding to develop the feasibility study and network design.

NGCSU joined in the project early due to my personal frustration as CIO with the lack of fiber availability and the incumbent telecom providers' reliance on scarcity as their economic model. When the University made the decision to add 1000 dorm beds just over two years ago, we approached our local provider for a 100 Mbps Metro-E connection as an option for our resident network. We were disappointed to discover that the provider would only consider a 5-year contract at \$7850/month, and they told us that after we signed, they would still need up to 18 months to get the service to us. Metro-E connections for universities in the Atlanta area are routinely available for less than \$2000/month and can be provisioned in just a few weeks.

In addition to the lack of options and bandwidth locally, we constantly acknowledge the perception that our region suffers from a 'brain drain' due to the scarcity of high-tech jobs and opportunities. As all other reasonable means of securing the advanced broadband capacity needed here to support higher education and workforce development in the foreseeable future have been exhausted, I respectfully encourage your careful and thoughtful consideration of this request for ARRA funding.

Sincerely,

A handwritten signature in black ink, appearing to read "Bryson R. Payne".

Bryson R. Payne, Ph.D.  
Chief Information Officer

---

DEPARTMENT OF INFORMATION & INSTRUCTIONAL TECHNOLOGY

Dahlonega, Georgia 30597 \* (706) 864-1922 \* FAX (706) 864-1684



August 6, 2009

To Whom It May Concern:

This letter of support is written to confirm North Georgia College & State University's commitment to the North Georgia Network fiber optic infrastructure grant application.

Regional engagement is one of the four strategic themes of the university, and this project embodies the university's commitment to support strategic economic development in the communities our institution serves. The counties, communities, and institutions involved in this application understand that a strong fiber optic infrastructure is as vital to this region's future economic growth as reliable electric, water, and gas utilities.

We are excited at the prospect of a grant to accelerate the development of the fiber backbone connectivity that this region has needed for so long, and we are committed to the project both institutionally and as a partner with our county and civic leadership. The connectivity constraints in our area have had a negative impact on the university's ability to deliver better service and reliability to our students and community members. We look forward to both the increased bandwidth and the improved availability for our vital research, distance learning, co-curricular and administrative computer networks and systems. At the same time, we see this network as the foundation of greater opportunities for our graduates and for the region as a whole.

If we can provide any further information in support of this grant application, please do not hesitate to contact me by email at [dpotter@ngcsu.edu](mailto:dpotter@ngcsu.edu) or by phone at 706-864-1993.

Sincerely,

A handwritten signature in black ink that reads "David Potter".

David Potter  
President

---

OFFICE OF THE PRESIDENT

College Circle, Dahlonega, Georgia 30597 ★ (706) 864-1993 ★ FAX (706) 864-1689

**Georgia  
Tech**



**Enterprise  
Innovation  
Institute**

Northwest Georgia Regional Office  
5 South Public Square, Suite 104  
Cartersville, GA 30210

August 7, 2009

Broadband Technology Opportunities Program  
National Telecommunications and Information Administration  
United States Department of Commerce  
1401 Constitution Ave., NW  
HCHB, Room 4812  
Washington, DC 20230

Re: NGN Cooperative BTOP proposal

The Georgia Tech Enterprise Innovation Institute is currently completing a study of the economic development potential of broadband for north Georgia. Preliminary results of the study show that private organizations in the region, including Dawson, Lumpkin, Union, and White counties, are constrained by limited options for high-capacity internet connectivity, i.e., broadband. Based on these data, the region is underserved with broadband. This limits its economic growth potential and, in turn, job creation, particularly for technology-intensive, high-skill, high-wage positions.

Broadband applications can enable businesses and institutions to exceed customer expectations while reducing costs, giving them a competitive edge. Abundant broadband from multiple providers eliminates barriers to utilizing these applications. Like fanning a fire, greater connectivity will allow the region's basic industry to cost-effectively deploy the broadband applications that will allow them succeed in the global marketplace.

Given this, we expect the NGN project to have significant impact on growing and transforming the region's economy.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Greg Laudeman'.

Greg Laudeman, Project Manager

706-271-5521

greg.laudeman@innovate.gatech.edu



- Ellijay Telephone Company
- Community Television Company
- ETC Communications, L.L.C.



P.O. Box 0  
224 Dalton Street  
Ellijay, Georgia 30540

706-276-2271 800-660-6826  
Fax: 706-276-9888 [www.ellijay.com](http://www.ellijay.com)

July 28, 2009

To Whom It May Concern:

I am writing this letter today to show my support of an endeavor that will benefit a region of North Georgia whose economic growth has been restricted due to limited broadband capacity. The North Georgia Network (NGN) is an idea that was jointly conceived by several local governments, anchor institutions, and private-sector partners, that will create a redundant, high-capacity fiber optic network in the North Georgia Area. This network will enable Ellijay Telephone Company (ETC) and other telecommunications service providers to deliver new services to business and residential customers that have never before had access to broadband. Even those in the region fortunate enough to have had access to broadband service will realize an increase in internet speed, capacity, and reliability. This increased level of service will support job and business growth in addition to improving education and healthcare services in the area. ETC fully supports this project and encourages our partners at the federal level to fully fund this project.

ETC is located in Ellijay, Georgia and has been in business since 1903. Today ETC is a provider of landline and wireless telephone service, broadband, cable TV, and security services primarily in Cherokee, Pickens, Gilmer and Fannin County, Georgia as well as the Copper Basin area of Polk County, Tennessee. Broadband speeds up to 20 Mbps are available to customers located in ETC's service area! Like the partners of NGN, we are driven to not only provide service to our customers but to also make our community a better place to live and work. It is our firm belief that the NGN will achieve these goals.

During the past several months ETC has been working with NGN to explore ways to work together to create this fiber optic network. While final contractual agreements have yet to be finalized, ETC and NGN are exploring different options that will be beneficial to both organizations and the region. A possible arrangement is a fiber trade agreement that will allow us to use each other's fibers for the mutual benefit of both networks. This swap, if you will, will likely allow for 2-4 strands of ETC's fiber network between Blue Ridge, GA and Ball Ground, GA to be exchanged for an equivalent number of strands through the NGN network. This arrangement will eliminate the need for any cash to change hands and will benefit both partners' networks.

In conclusion, let me reiterate my support of the North Georgia Network partners. I have been fortunate to have worked closely with several of them - most notably the EMC partners - and I truly believe that they have their communities at heart. I believe that what the NGN is trying to achieve will benefit not only the North Georgia area but also the entire Southern Appalachian region by creating future opportunities in a part of the US that has long been neglected. Please help us provide the opportunity for our communities to thrive in the generations to come.

Most Sincerely,

Roger Futch  
Executive Vice-President/COO

# MOUNTAIN REGIONAL LIBRARY SYSTEM

Mountain Regional Library • Fannin County Public Library • Towns County Public Library • Union County Public Library



*Serving Georgia's Mountains since 1946*

P O Box 159 - 698 Miller Street  
Young Harris, Georgia 30582  
Phone: (706) 379-3732 - FAX: (706) 379-2047  
WWW.MOUNTAINREGIONALLIBRARY.ORG

**Donna W. Howell**  
Director

13 August 2009

Erik C. Brinke, Director of Economic Development  
Blue Ridge Mountain EMC  
P.O. Box 9  
Young Harris, GA 30582

Dear Mr. Brinke:

We are pleased to be asked to partner with the Blue Ridge Mountain Electric Membership Corporation to bring broadband fiber optic service to our libraries. The Mountain Regional Library System serves the citizens of Fannin, Towns, and Union Counties with branches in Young Harris, Hiawassee, Blairsville and Blue Ridge.

Each of our libraries has a minimum of twelve public access internet computers and free wireless access for the public in addition to up to twelve staff computers that are used for administrative functions and operation of the PINES statewide integrated library system. Currently our libraries are served by T-1 lines to each of our libraries and we are suffering slowness and connectivity issues associated with heavy demand for bandwidth. Because of this we have been forced to limit the bandwidth use by wireless users by limiting the amount of downloads by file size and we have been unable to accommodate some requests for online classes that use bandwidth intensive delivery methods.

More and more people are coming to libraries because they are looking for help with job searches or job training, more economical ways to entertain and educate their children, using library internet services because they can no longer afford the service at home, looking at magazines or newspapers in the library because a subscription for home is no longer in their budget. Between July 1, 2008 and June 30, 2009, almost 247,000 people visited the system's four libraries and checked out almost 325,000 items – that is almost 6 items checked out for every citizen of Fannin, Towns, and Union Counties. Library staff answered 97,000 reference questions. Over 49,000 people used library computers and another 3,750 used the available free wireless internet access with their own laptops or other devices. More than 8,500 children and adults attended 361 library provided or sponsored programs – story times, book discussions, films, and other programs. These services represent real value to the residents of our counties, especially during these tough economic times.

As we search for the best means to offer the widest possible array of services to our library users and meet the needs of our communities, we must be looking to the future. Online classes and meetings, job interviews and social networking, professional collaboration tools, and internet reference sites all are requiring more bandwidth. More and more library content is being delivered in digital formats – audio, video, and e-book file downloads will continue to require ever more bandwidth to accommodate. If we fail to plan for making full use of those tools, we will have failed our communities.

We appreciate the Blue Ridge Mountain EMC's willingness to partner with our libraries as anchor institutions in their communities to help provide all our citizens with the tools they need to succeed.

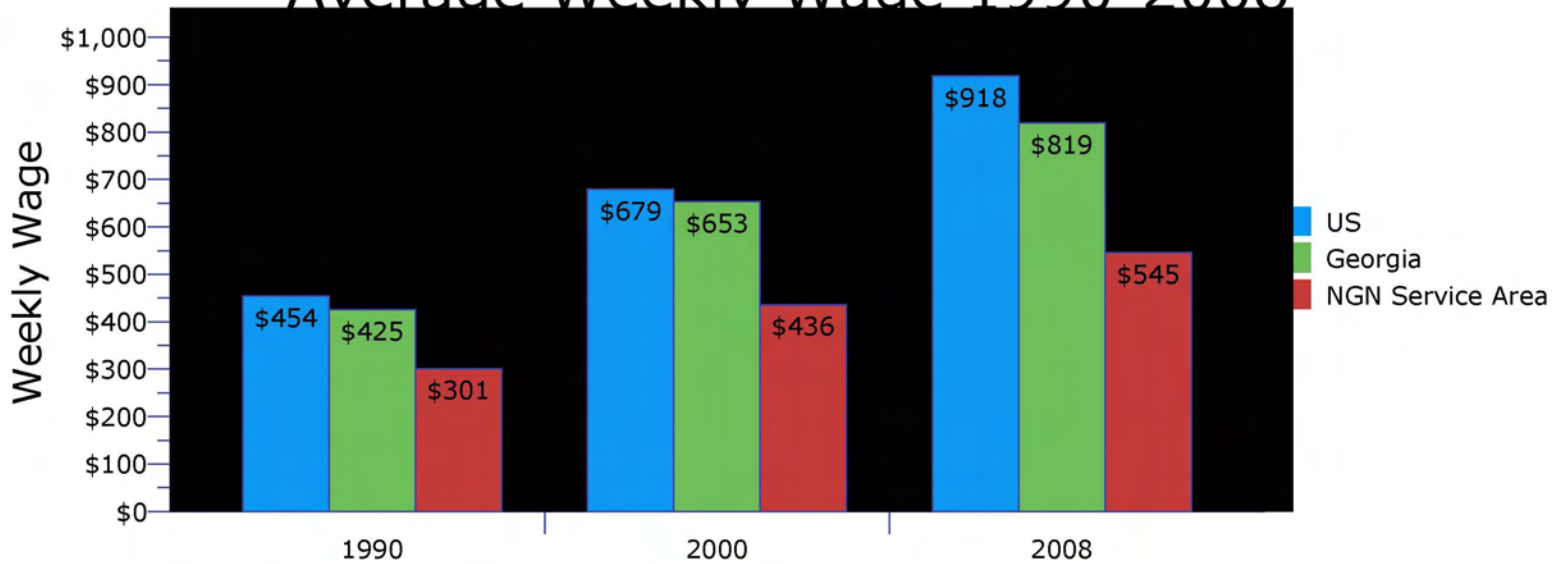
Sincerely,

Donna W. Howell

## Northeast Georgia Is Losing Ground Compared to Rest of US

The gap continues to widen between the paychecks of rural workers in NGN's service area and those of workers in the rest of the state and the nation. In 2008, the alarming trend saw northeast Georgians losing even more ground, averaging a third less pay each week than the rest of the state and a staggering 41% less than workers in the rest of the United States.

### Average Weekly Wage 1990-2008



## Counting on Technology to Help Build a New Economy

In seven of the most rural Appalachian counties in NGN's service area, alone, almost 2,500 manufacturing jobs have simply evaporated since 2000. And they're not coming back when the economy turns around.

### Average Monthly Manufacturing Employment 2000-2008 NGN Service Area

