



2017

ANNUAL REPORT

**Leadership,
Innovation &
Transformation**



**LUMBEE
RIVER EMC**



2017 Executive Summary

2017 was a strong year for Lumbee River EMC. We encourage you to review this annual report, which references the activities of this past year. We continue to stand by our mission to provide superior service to our members by providing safe, reliable power at the best possible price.

Leadership

2017 was a year of firsts for the cooperative. With the hiring of our first-ever female CEO, female Vice President of Finance and female Chairwoman of the Board of Directors, you might say it has been the year of the women.

Dedicated to safety

The safety of our employees and members is Lumbee River EMC's top priority. In our efforts to maintain a cooperative culture of safety, we have a safety committee in place comprised of employees from each department throughout the cooperative. Our employees go through training programs to ensure they know proper procedures to avoid accidents and

injuries. All employees attend a monthly safety meeting and our linemen have a safety briefing before each and every job that the line crews work.

As a result of this focus, we have worked more than 36 months with no lost-time accidents. In 2017, we continued to work toward our goal of 1 million safe-man-worked hours with no lost-time accidents (which we achieved the first quarter of 2018).

Low-priced electricity

Over the last four years, your co-op's management team and Board of Directors worked very closely to ensure Lumbee River EMC is in the best possible position to take advantage of market conditions that address the needs of the cooperative while

minimizing the impact to you, the members, in terms of the rates you have to pay for electricity.

Members have not seen a rate increase since 2014. We have been able to cover a substantial portion of the costs associated with Duke Energy's coal ash remediation without passing the expense onto our members.

In addition, we completed the construction of much-needed office space in the Raeford area and began construction on a new headquarters building.

Empowering our community

Involvement in our community is a priority. It's something we've been doing for the last 78 years. We have



Safety Mileston Celebration



LREMC headquarters' construction



Florence

a responsibility to give back to the communities in which our members live and work. In 2017, Lumbree River EMC provided more than \$30,000 in scholarships to local students, as well as over \$20,000 in education grants to local teachers. Through partnerships with local agencies we continue our LREMC Cares Program, providing \$15,000 in direct support to members needing help with their power bills during the most severe winter and summer weather. Our Employees' Christmas Care Program once again supported 150 families in our communities with food and gifts for children that otherwise would have gone without.

We continue to expand programs and offerings to our members in an

effort to assist them with managing their energy usage. Through our partnership with NC Interfaith Power and Light, we are able to assist churches with energy audits. We also began a generator program that allows qualifying members to finance a generator through the cooperative. Many of our employees serve on boards or volunteer with a wide range of local and state organizations as well.

Building for the future

As mentioned earlier, Lumbree River EMC broke ground on a new corporate headquarters facility in 2017. The new facility will replace the current headquarters building located in Red Springs. The original construction of the Red Springs facility was built in the

1940s. Although the facility has been renovated several times over the last 68 years, annual maintenance costs have reached a point where replacement of the facility is the best option.



Carmen Dietrich,
CEO



Madie Locklear,
Chairwoman,
Board of Directors

Meeting Minutes

Lumbee River Electric Membership Corporation

Minutes of the 2017 Annual Meeting of the Members October 12, 2017

Pursuant to due notice thereof, the 77th Annual Meeting of the Members of the Lumbee River Electric Membership Corporation was held at the University of North Carolina at Pembroke, Givens Performing Arts Center, beginning at 1:00 p.m. on Thursday, October 12, 2017.

- ➔ Registration and voting commenced at 1:00 p.m. and ended at 7:30 p.m.
- ➔ Attorney Arlie Jacobs called the meeting to order and welcomed the members to the meeting. Mr. Jacobs introduced Reverend Horace Oxendine of Gray Pond Baptist Church to give the invocation.
- ➔ Attorney Jacobs introduced the University of North Carolina at Pembroke's Chancellor, Dr. Robin Gary Cummings, who welcomed everyone to the university campus.
- ➔ Attorney Jacobs introduced Secretary Eric Locklear who read the Proof of Mailing for the Annual Meeting Notice and reported that quorum was present. Mr. Locklear reported on September 22, 2017, the Corporation did place 53,087 Annual Meeting member notices in the United States mail with postage thereon duly paid. A copy of the proof of mailing is incorporated herein by reference, made a part of these minutes, and is available for inspection in the Minutes Book of the Corporation.
- ➔ Attorney Jacobs called for the approval of the November 1, 2016 Annual Meeting minutes. Upon a motion duly made and seconded, the membership waived the reading of the minutes of the 2016 Annual Meeting of the Members.
- ➔ Attorney Jacobs reported that according to Section 5.05 of the Cooperative's Bylaws, candidates are placed into nomination in one of two ways: (1) nomination by the Nominating Committee; and (2) nomination by petition containing at least fifteen (15) or more members' signatures so nominating the interested members. Attorney Jacobs reported that the cooperative had received five (5) valid petitions for nomination, placing into nomination Autry Lowry for District 1, Ronnie E. Hunt for District 3, Christopher Clark for District 5, Carl A. Pevia and Larry Jones for District 6.
- ➔ Ms. Sherry Carter presented the report of the Nominating Committee, placing into nomination the following names in the following districts:

District 1: Herbert Clark
District 3: Ronald G. Hammonds
District 5: Spencer Locklear, Lennis Watts
District 6: Jaqueline Hunt Chavis,
William Hollingsworth
District 6: James Hardin (Two-Year Term)

- ➔ President & Chief Executive Officer, Steven C. Hunt, recognized special guests and gave a special thank you to Saddletree Church of God and Christ Freewill Baptist Church for providing entertainment and, also to the University of North Carolina at Pembroke for the use of their facility.
- ➔ Attorney Jacobs introduced Mr. Roger Oxendine, Chairman of the Cooperative's Board of Directors, who gave an audiovisual presentation of his report to the membership. A copy of his presentation is incorporated herein by reference, made a part of these minutes and is available for inspection in the Minutes Book of the Corporation.
- ➔ Mr. Steven C. Hunt, President & Chief Executive Officer, presented his annual presentation to the membership. A copy of the presentation is incorporated herein by reference, made a part of these minutes and is available for inspection in the Minutes Book of the Corporation.
- ➔ Attorney Jacobs opened the floor for comments and questions. General comments from members were provided. At the conclusion of comments from the floor, Attorney Jacobs closed the open forum of the program.
- ➔ Attorney Jacobs introduced Mr. Christopher Locklear, who conducted the drawing and awards of the door prizes and power credits.
- ➔ After the drawing of the prizes, the 2017 Annual Meeting of the Members was proclaimed adjourned.
- ➔ The 2017 Annual Meeting of Members registered 3,796 members. A file of each member registered is available with these minutes, incorporated herein by reference, made a part of these minutes and is available for inspection in the Minutes Book of the Corporation.



Madie Locklear,
Chairwoman, Board of Directors



Carl A. Pevia,
Secretary

2017 Board of Directors



District 2
Madie Locklear
Chairwoman



District 6
James Hardin
Vice Chairman



District 6
Carl A. Pevia
Secretary



District 3
Ronnie E. Hunt
Treasurer



District 1
Autry Lowry



District 2
Roger Oxendine



District 4
Jarette Sampson



District 5
Illene Oxendine

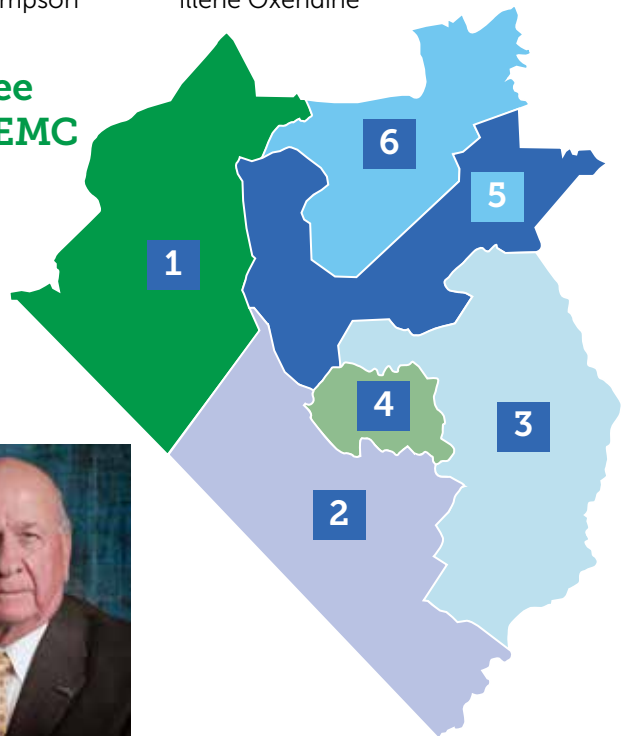


District 6
Larry Jones



District 5
Spencer Locklear

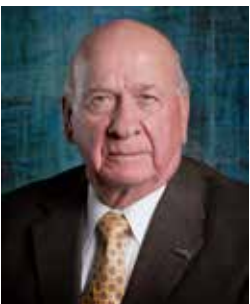
**Lumbee
River EMC**



District 3
Eric Locklear



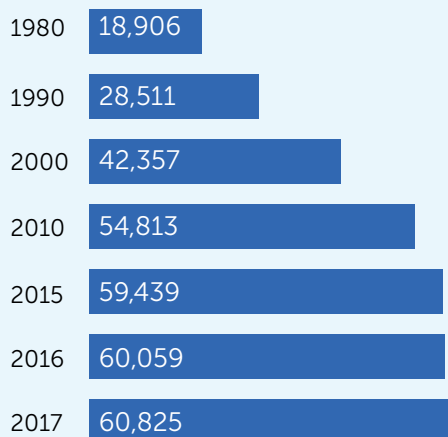
District 6
Rory Eddings



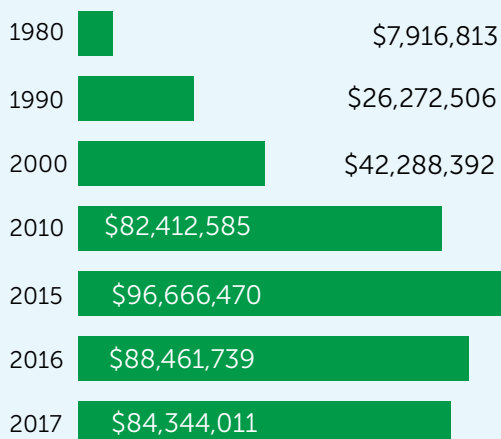
District 6
Wyatt Upchurch

2017 Financial Reporting

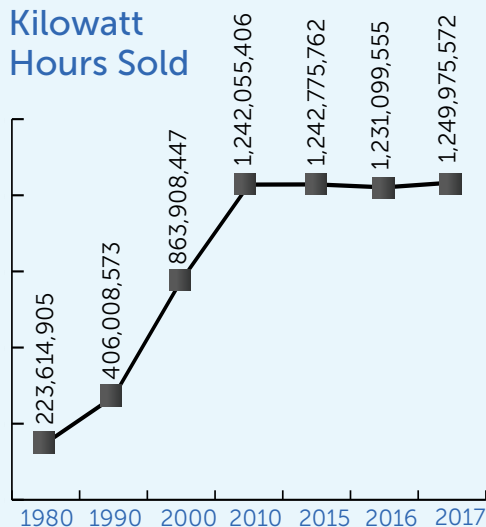
Active Services



Cost of Power



Kilowatt Hours Sold



Balance Sheet as of December 31

	2017	2016
(Consolidated)		
Assets		
Utility Plant	\$227,334,079	\$ 212,813,017
Investments	40,105,588	38,691,282
Current Assets	55,525,218	49,675,243
Deferred Charges	<u>2,336,885</u>	<u>2,716,152</u>
Total Assets	<u>\$325,301,770</u>	<u>\$303,895,694</u>
Equities and Liabilities		
Membership Fees	\$ 528,040	\$ 521,410
Accumulated Comprehensive Loss	(5,014,700)	(3,230,000)
Patronage Capital	109,419,804	104,911,250
Other Equities	<u>18,572,378</u>	<u>14,743,935</u>
Total Equities	<u>123,505,522</u>	<u>116,946,595</u>
Long-Term Debt	138,582,023	131,416,367
Current Liabilities	21,445,304	22,672,601
Deferred Credits	<u>41,768,921</u>	<u>32,860,131</u>
Total Equities and Liabilities	<u>\$325,301,770</u>	<u>\$303,895,694</u>

Summary of Financial Performance

	2017	2016
(Consolidated)		
Operating Revenue	\$126,942,583	\$ 126,039,720
Operating Expenses	104,179,625	119,492,773
Interest Expense	4,951,544	4,981,699
Net Margins	12,676,580	8,932,013
Net Plant	227,334,079	212,813,017
Total Assets	325,301,770	303,895,694
Member Equity	\$123,505,522	\$116,946,595

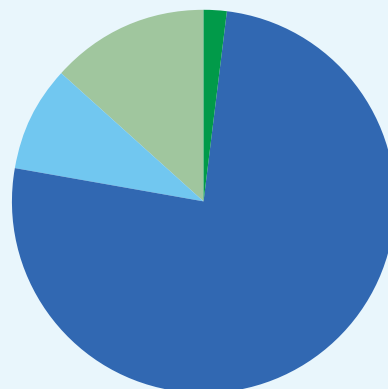
Operating Statistics

	2017	2016
Total Active Services	\$ 60,825	\$ 60,059
Kilowatt-Hours Sold	1,249,975,572	1,231,099,555
Miles of Line	5,838	5,794
Estate and General Retirements	4,470,673	4,509,008
Number of Employees	120	119
Cost of Power	\$ 84,344,011	\$ 88,461,739

Statement of Operations & Patronage Capital

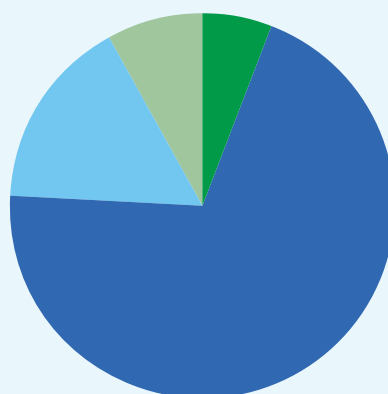
	2017	2016
(Consolidated)		
Operating Revenue	\$126,942,583	\$126,039,720
Operating Expenses		
Cost of Power	84,344,011	88,461,740
Transmission Expense	18,364	0
Distribution—Operation	2,848,916	2,355,450
Distribution—Maintenance	4,103,467	4,204,712
Consumer Accounts	3,050,976	3,549,220
Consumer Service	1,095,204	1,621,924
Administrative and General	<u>8,718,687</u>	<u>7,809,253</u>
Total Operating Expenses	<u>104,179,625</u>	<u>\$108,002,299</u>
Other Expenses		
Depreciation and Amortization	\$ 10,292,098	\$ 9,772,180
Taxes	1,740,506	1,718,294
Interest Expense	<u>4,951,544</u>	<u>4,981,699</u>
Total Other Expenses	<u>16,984,148</u>	<u>16,472,173</u>
Total Expenses	<u>121,163,773</u>	<u>124,474,472</u>
Operating Margins	\$ 5,778,810	\$ 1,565,248
Non-Operating Margins		
Patronage Allocations	\$ 3,390,459	\$ 3,502,931
Interest Income	1,553,874	1,523,948
Income from Equity Investments	1,820,323	2,303,613
Other	<u>133,114</u>	<u>36,273</u>
Total Non-Operating Margins	<u>6,897,770</u>	<u>7,366,765</u>
Net Margins	<u>\$12,676,580</u>	<u>\$ 8,932,013</u>
Consolidated Statements of Comprehensive Income		
Net Margins	\$ 12,676,580	\$ 8,932,013
Other Comprehensive Income (Loss)		
Net Gain (Loss) During Period	(1,720,500)	(96,100)
Amortization of Net Loss	115,000	198,500
Prior Service Credit	<u>(179,200)</u>	<u>(179,200)</u>
	<u>(1,784,700)</u>	<u>(76,800)</u>
Comprehensive Income	<u>\$ 10,891,880</u>	<u>\$ 8,855,213</u>
Patronage Capital—		
Beginning of Year	\$116,946,595	\$112,548,050
Margins	12,676,580	8,932,013
Retired Patronage Capital	(4,339,583)	(4,462,418)
Other Comprehensive Income	(1,784,700)	(76,800)
Transfers and Other Changes	<u>6,630</u>	<u>5,750</u>
Patronage Capital—End of Year	<u>\$123,505,522</u>	<u>\$116,946,595</u>

Electric Revenue



- 2% Public Authorities
- 75% Residential
- 9% Large Commercial
- 13% Small Commercial

Interest and Taxes



- 6% Interest
- 70% Purchased Power
- 16% Operating Expenses
- 8% Depreciation



**LUMBEE
RIVER EMC**

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