



LUMBEE RIVER EMC 2015 ANNUAL REPORT



EXECUTIVE REPORT

We at Lumbee River EMC would like to thank those of you that helped us celebrate our 75th anniversary during 2015. It is always good to take a few moments and look back, to see where you have come from and celebrate the success you have realized through the efforts of so many.

As the celebration comes to an end, we find ourselves facing an industry that is transforming from a traditional provider of electricity into an industry of integrated resources that must address all your energy needs of the future. We believe that your cooperative is positioned nicely to make this transformation, not only to meet the current needs but also address the multitude of changes we will face in the coming years. During the next year you will see and hear much about these changes, but let's review highlights of our current year's performance.

The year 2015 was another excellent period for Lumbee River EMC. As the financial section on pages 26–27 shows, your co-op had another successful year with \$135 million in revenues, more than a million dollars more than the previous year. We continue to focus on controlling our variable costs. This will continue to be an area of attention into the foreseeable future. Another good bit of news from 2015 includes the fact that energy costs were down almost \$4 million below what we had anticipated, driven primarily by the lower costs of natural gas. This favorable trend appears to be continuing for the near future.

In addition to the positive news on revenues and costs, we continue to see the cooperative grow. We had a net increase in services of 557 and added an additional 52 miles of line to our network in 2015.





Working for you

Lumbee River EMC's employees continue to perform their responsibilities in an efficient and safe manner, completing over 250,000 hours without a loss-time accident. This effort is very important to your cooperative because the safety of our employees, our members and the general public are always first and foremost in everything we do. In addition to the impact safety has on individuals and their family and friends, it also helps keep our insurance costs under control.

Construction of our fiber-to-the-home network has been completed and we are now focused on connecting services to those who live along this network. As of late September, we have more than 1,000 individuals receiving internet service over this network. It is great to see individuals taking advantage of these efforts to bring this much-needed infrastructure to an underserved portion of our service territory.

At the end of 2015, we were in the final phase of construction of our new North Center office and operations center located in Hoke County. This facility enables your co-op to combine the employees from our Lake Rim

and Raeford offices as well as relocate some operations personnel from Red Springs for better efficiency. We also incorporated state-of-the-art energy efficiency construction techniques at the new facility, as well

as integrated renewable energy generation with solar photovoltaic panels and energy storage (batteries that are capable of carrying the entire load of the building for 8 hours on one charge).

Additionally, this facility will serve as a learning tool for your cooperative. The electric utility industry is changing at an unprecedented rate. To survive, we must transform Lumbee River EMC from the cooperative that first brought electricity to rural Cumberland, Hoke, Robeson and Scotland counties into the electric utility of the future. We must understand the relationship between energy efficiency, renewable energy, and the connected homes and appliances that the internet brings while still maintaining a reputation as your trusted energy advisor.

The challenges of the future are great, but the Board of Directors, management team and employees of Lumbee River EMC are ready for the opportunity. The power of transformation can lead us to a future and you can count on us to continue to bring you safe, reliable and affordable energy.



Roger Oxendine
Chairman,
Board of Directors



Steven C. Hunt
President & CEO

BOARD OF DIRECTORS



Roger Oxendine
 Chairman
 District 2



Wyatt Upchurch
 Vice Chairman
 District 6



Eric Locklear
 Secretary
 District 3



James Hardin
 Treasurer
 District 6



Herbert Clark
 District 1



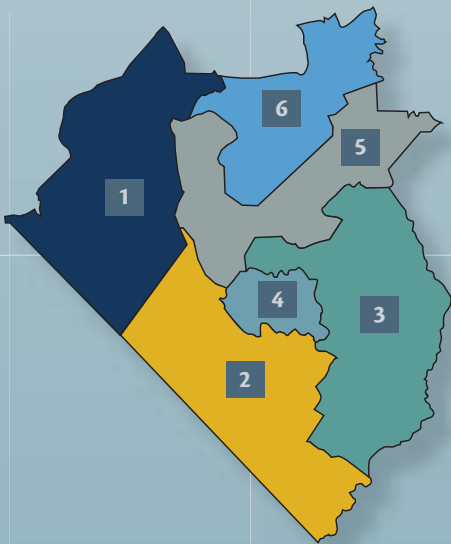
Ronald Hammonds
 District 3



Jarette Sampson
 District 4



Illene Oxendine
 District 5



Madie Locklear
 District 5



Spencer Locklear
 District 5



Jacqueline Hunt Chavis
 District 6



Rory Eddings
 District 6



William Hollingsworth
 District 6

LUMBEE RIVER EMC

MEETING MINUTES

LUMBEE RIVER EMC Minutes of the 2015 Annual Meeting of the Members October 15, 2015

Pursuant to due notice thereof, the 75th 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 15, 2015.

1. Registration and voting commenced at 1:00 p.m. and ended at 7:30 p.m.
2. Attorney Arlie Jacobs called the meeting to order and welcomed the members to the meeting. Mr. Jacobs introduced Reverend Jimmy Hammonds of Bethel Hill Baptist Church to give the invocation.
3. Attorney Jacobs introduced Chancellor Robin G. Cummings, University of North Carolina at Pembroke, who welcomed everyone to the university campus.
4. Attorney Jacobs introduced Secretary Erice Locklear who read the Proof of Mailing for the Annual Meeting Notice and reported that quorum was present. Mr. Locklear reported on September 21, 2015, the Corporation did place 51,846 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.
5. Attorney Jacobs called for the approval of the October 16, 2014, Annual Meeting minutes. Upon a

motion duly made and seconded, the membership waived the reading of the minutes of the 2014 Annual Meeting of the Members.

6. 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 declared acclamation of the Directors.

7. Ms. Sherry Carter presented the report of the Nominating Committee, placing into nomination the following names in the following districts:

District 3 Erice L. Locklear

District 4 Jarette Sampson

District 6 Rory Eddings
Wyatt Upchurch

8. President & Chief Executive Officer, Steven C. Hunt, recognized special guests and gave a special thank you to the Carla and Redemption Ministries and The McNeill's for providing entertainment and, also to the University of North Carolina at Pembroke for the use of their facility.
9. 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.

10. 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.
11. Attorney Jacobs opened the floor for comments and questions. General comments were provided about the Fiber-to-the-Home project from a member. At the conclusion of comments from the floor, Attorney Jacobs closed the open forum of the program.
12. Attorney Jacobs introduced Mr. Timothy Locklear, who conducted the drawing and awards of the door prizes and power credits.
13. After the drawing of the prizes, the 2015 Annual Meeting of the Members was proclaimed adjourned.
14. The 2015 Annual Meeting of Members registered 2,108 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.



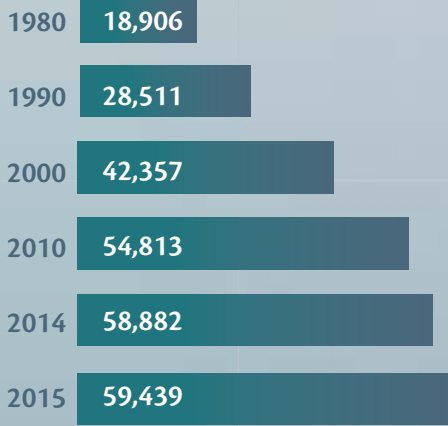
Roger Oxendine
Chairman



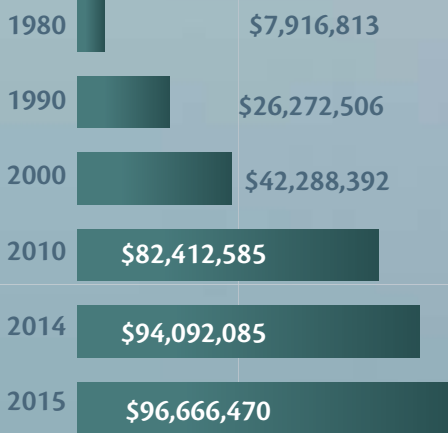
Herbert Clark
Secretary

FINANCIALS

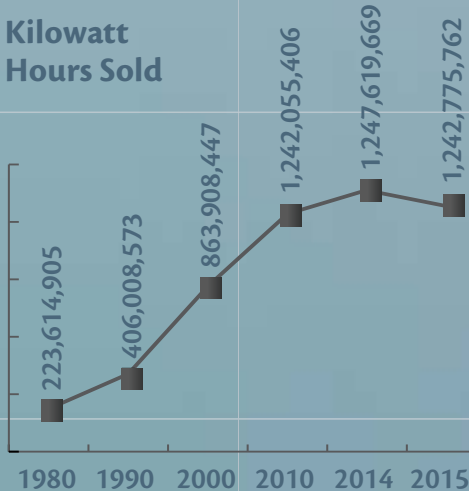
Active Services



Cost of Power



Kilowatt Hours Sold



Balance Sheet as of December 31

	2015	2014
(Consolidated)		
Assets		
Utility Plant	\$ 206,005,162	\$ 192,288,887
Investments	34,503,404	32,221,016
Current Assets	52,060,736	47,173,473
Deferred Charges	3,162,940	3,693,031
Total Assets	<u>\$ 295,732,242</u>	<u>\$ 275,376,407</u>
Equities and Liabilities		
Membership Fees	\$ 515,660	\$ 509,515
Accumulated Comprehensive Loss	(3,153,200)	(3,274,324)
Patronage Capital	104,148,399	100,878,495
Other Equities	11,037,191	9,840,439
Total Equities	<u>112,548,050</u>	<u>107,954,125</u>
Long-Term Debt	138,006,855	131,123,610
Current Liabilities	23,289,612	19,680,392
Deferred Credits	21,887,725	16,618,280
Total Equities and Liabilities	<u>\$ 295,732,242</u>	<u>\$ 275,376,407</u>

Summary of Financial Performance

	2015	2014
(Consolidated)		
Operating Revenue	\$ 135,560,806	\$ 133,658,860
Operating Expenses	126,290,601	123,235,841
Interest Expense	5,491,146	5,410,458
Net Margins	8,608,463	10,877,560
Net Plant	206,005,162	192,288,887
Total Assets	295,732,242	275,376,407
Member Equity	112,548,050	107,444,610

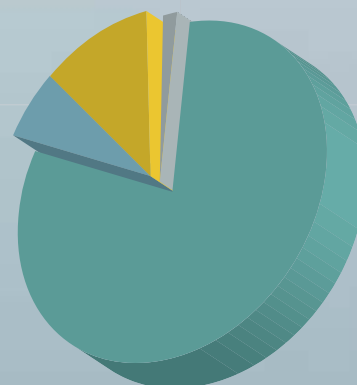
Operating Statistics

	2015	2014
Total Active Services	\$ 59,439	\$ 58,882
Kilowatt-Hours Sold	1,242,775,762	1,247,619,669
Miles of Line	5,759	5,707
Estate and General Retirements	4,486,375	4,680,000
Number of Employees	115	117
Cost of Power	\$ 96,666,470	\$ 94,092,085

Statement of Operations & Patronage Capital

	2015	2014
(Consolidated)		
Operating Revenue	\$ 135,560,806	\$ 133,658,860
Operating Expenses		
Cost of Power	96,666,470	94,092,085
Transmission Expense	7,582	22,509
Distribution — Operation	2,640,181	2,065,530
Distribution — Maintenance	4,108,550	3,644,928
Consumer Accounts	3,759,608	3,292,202
Consumer Service	1,074,972	1,030,694
Administrative and General	8,157,964	7,864,256
Total Operating Expenses	<u>116,415,327</u>	<u>112,012,204</u>
Other Expenses		
Depreciation and Amortization	8,263,407	7,546,146
Taxes	1,611,867	3,677,491
Interest Expense	5,491,146	5,410,458
Total Other Expenses	<u>15,366,420</u>	<u>16,634,095</u>
Total Expenses	<u>131,781,747</u>	<u>128,646,299</u>
Operating Margins	3,779,059	5,012,561
Non-Operating Margins		
Patronage Allocations	2,501,975	2,045,812
Interest Income	1,457,371	1,361,175
Income from Equity Investments	1,955,662	2,326,608
Other	(1,085,604)	131,404
Total Non-Operating Margins	<u>4,829,404</u>	<u>5,864,999</u>
Net Margins	<u>\$ 8,608,463</u>	<u>\$ 10,877,560</u>
Consolidated Statements of Comprehensive Income		
Net Margins	\$ 8,608,463	\$ 10,877,560
Other Comprehensive Income (Loss)		
Net Gain (Loss) During Period	104,600	(1,121,900)
Amortization of Net Loss	195,724	115,476
Prior Service Credit	(179,200)	(179,200)
	<u>121,124</u>	<u>(1,185,624)</u>
Comprehensive Income	<u>\$ 8,729,587</u>	<u>\$ 9,691,936</u>
Patronage Capital —		
Beginning of Year	\$ 107,954,125	\$ 102,590,142
Margins	8,608,463	10,877,560
Retired Patronage Capital	(4,141,807)	(4,337,393)
Other Comprehensive Income	121,124	(1,185,624)
Transfers and Other Changes	6,145	9,440
Patronage Capital — End of Year	<u>\$ 112,548,050</u>	<u>\$ 107,954,125</u>

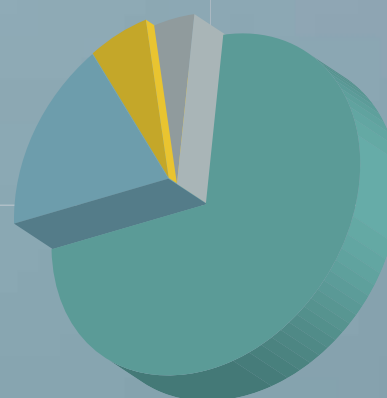
Electric Revenue



2%	Public Authorities
81%	Residential
5%	Large Commercial
12%	Small Commercial

Total Electric Revenue

Allocation of Expense



5%	Interest
73%	Purchased Power
15%	Operating Expenses
6%	Depreciation



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