

# ANNUAL REPORT

# 2013



# MEMBERSHIP MATTERS

# BOARD OF DIRECTORS



Roger Oxendine  
*Chairman*  
District 2



Wyatt Upchurch  
*Vice Chairman*  
District 6



Herbert Clark  
*Secretary*  
District 1



Ronald Hammonds  
*Treasurer*  
District 3

Lumbee River EMC is governed by a 13 member Board of Directors. These member-directors are elected each year by their fellow coop members at the Annual Member Meeting. They bring together a wealth of knowledge, business skills and personal experience that provide the expertise needed to make Lumbee River EMC a successful cooperative. They are charged with establishing policies and overseeing financial decisions that are in the best interest of cooperative members.

## 2014 Credentials and Election Committee

Wade Hunt, Chairperson

Douglas Locklear, Vice Chairperson

Molly Oxendine, Secretary

- Robert Brayboy • Lewis Brayboy Jr. • Carmen Chavis  
• Freddie Chavis • Frank Cooper • Robert Fairley  
• Greg Goins • Betty Grimsley • Tonya Hunt  
• Jeffery Jacobs • James R. Jones • Larry Jones  
• George Lessane • David Locklear  
• Gene Locklear • Jervis Locklear • Carrie McMillian  
• Jose Ortiz • James Pridgett • Deborah Purcell  
• Shirl Rising • Gary Strickland Jr.

## 2014 Nominating Committee

Cheryl Cunningham, Chairperson

Sherry Carter, Secretary

- Betty F. Brewington • Kellie Blue  
• Richard Campbell • James Jacobs Jr.  
• Annette Lowry • James A. Leach  
• Richard Smith • Irma J. Wilson



Eric Locklear  
District 3



Jarette Sampson  
District 4



Elaine Oxendine Chavis  
District 5



Ilene Oxendine  
District 5



Madie Rae Locklear  
District 5



William Hollingsworth  
District 6



Jacqueline Hunt Chavis  
District 6



James Hardin  
District 6



Rory Eddings  
District 6

Voluntary and Open Membership  
Democratic Member Control  
Member Economic Participation



Cooperative 7 Principles

Concern for Community

Autonomy and Independence  
Education, Training, and Information  
Cooperation Among Cooperatives



Pursuant to due notice thereof, the 73<sup>rd</sup> 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 10, 2013.

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 Howard Jacobs of Piney Grove Baptist Church to give the invocation.
3. Attorney Jacobs introduced Provost and Vice Chancellor, Dr. Ken Kitts - University of North Carolina at Pembroke, who welcomed everyone to the university campus.
4. Attorney Jacobs introduced Secretary Herbert Clark who read the Proof of Mailing for the Annual Meeting Notice and reported that quorum was present. Mr. Clark reported on September 23, 2013, the Corporation did place 50,042 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 14, 2012 Annual Meeting minutes. Upon a motion duly made and seconded, the membership waived the reading of the minutes of the 2012 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.
  - i.) Ms. Sherry Carter presented the report of the Nominating Committee, placing into nomination the following names in the following districts:
7. President & Chief Executive Officer, Steven C. Hunt, recognized special guests and gave a special thank you to The Lowerys and The Echoes of Faith for providing entertainment and, also to the University of North Carolina at Pembroke for the use of their facility.
8. 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.
9. 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.
10. Attorney Jacobs opened the floor for comments and questions. No questions were put forth; therefore Attorney Jacobs closed the open forum of the program.
11. Attorney Jacobs introduced Mr. Tim Locklear, who conducted the drawing and awards of the door prizes and power credits
12. After the drawing of the prizes, the 2013 Annual Meeting of the Members was proclaimed adjourned.
13. The 2013 Annual Meeting of Members registered 1,327 members. A list of each member registered is attached to these minutes, incorporated herein by reference, made a part of these minutes and is available for inspection in the Minutes Book of the Corporation.

District 2	Roger Oxendine
District 5	Madie Rae Locklear
	Ilene Oxendine
District 6	James Hardin

Signed: \_\_\_\_\_

*Roger Oxendine*

Signed: \_\_\_\_\_

*Herbert Clark*

# EXECUTIVE REPORT

## 2013

AT A GLANCE

### \$42,000

Scholarships awarded to  
local students

### \$23,000

Grants funded to Bright  
Ideas projects

### \$3 million

Capital credits returned  
to members

### \$27,000

Given to assist LREMC  
members with electric bills

### 185,078

Calls to our member  
services department

### 5,604

Miles of distribution lines

### 659,912

Hours LREMC employees  
worked without a  
lost-time injury

### 115

LREMC Employees

We don't choose who provides our electric service. People on opposite sides of the road may be served by different electric providers, some by a stockholder-driven investor-owned utility, and others by a city-owned municipal electric system.

Cooperatives aren't like other businesses in our community. We are not focused on making a profit—at our core we exist to meet community needs. We are guided by seven cooperative principles: open membership; democratic member control; members' economic participation; independence; education, training, and information; cooperation with other cooperatives; and concern for our community. Our focus is totally on you, our member / owners.

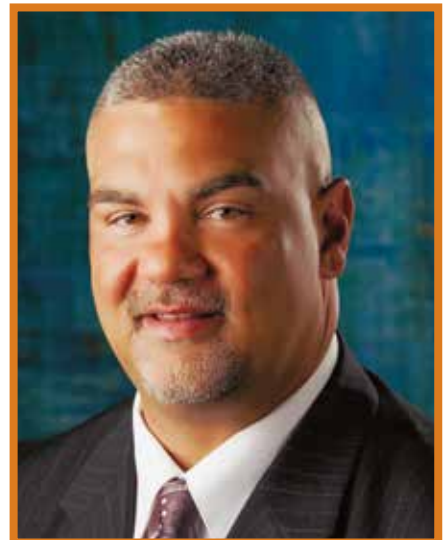
#### Why does Membership Matter?

Being a member of Lumbee River EMC is more than receiving electricity and paying your bill. You are part of a local organization whose sole goal is to serve you. Once we cover the costs of providing you service, what is left is returned to you. We exist to provide you with safe, reliable and affordable electric service — and doing so in a way that raises the quality of life in the communities we serve. Because electric cooperatives operate on a not-for-profit basis, they have no need to increase revenues above what it takes to run the business in a financially sound manner.

As we are sure you have heard, it said “the whole is greater than the sum of its parts”. This is true of membership in your cooperative too. Together our combined economic participation in the cooperative makes it more efficient and therefore less expensive for us to meet your energy needs. We are indeed blessed to live in an area that has continued to show signs of growth as the economy struggles to recover. Between the end of 2012 and the end of 2013, we added about 2 percent to our member base and an additional 4 percent in energy sales. Our service area expanded by the addition of many new homes, the connection of our fifth Wal-Mart facility and the ground breaking and construction of 3 new hospital facilities. We also saw the connection of one of the most energy efficient schools in the United States. Sandy Grove Middle School, in Hoke County, is a state of the art facility that is producing more electricity from the solar panels on its roof than it is consuming!



**Roger Oxendine**  
*Chairman, Board of Directors*



**Steven C. Hunt**  
*President & CEO*



**Membership matters** because your electric cooperative cares about improving the quality of life in the communities we serve. We are involved in our communities; from raising money for local charities, sponsoring local sports teams, assisting with United Way and Relay for Life fundraising, to providing electrical safety presentations to area schools and community events. Lumbee River EMC devotes time and resources to the neighborhoods where you live and work. We believe in the future of Lumbee River EMC as a big supporter of our area's youth. Every year we send high school juniors and seniors on an all-expense paid trip to Washington, D.C. to learn firsthand about our democracy. We have been doing that for the past 50 years and have sent more than 200 students on this trip of a lifetime! Lumbee River EMC provides scholarships to as many as seven high school students each year. This program has provided scholastic opportunities to more than 50 students in the past 10 years alone. Lumbee River EMC has also funded over \$800,000 in innovative classroom projects to teachers through our Bright Ideas grants program.

**Membership matters** because we understand that many of our members have to stretch their money each month just to make ends meet. When a crisis or emergency occurs, it can create a hardship. Oftentimes, choices have to be made between medicine, food, and electricity. As part of our continued commitment, we partner with local community service agencies through our LREMC Cares Energy Assistance Program to assist members who are experiencing a hardship. This year, we have provided assistance to over 160 members totaling \$27,000.

**Membership matters** because it entitles you to certain benefits like capital credit allocations. Capital credits represent one of the seven cooperative principles, Member's Economic Participation. Since we are a not for profit organization, once our expenses are covered, any monies remaining belong to you. Think of it as dividends from your ownership in the cooperative. In 2013, your cooperative returned \$3 million in capital credits back to approximately 46,000 members.

**Membership matters** to the employees of Lumbee River EMC. Our team is dedicated to providing safe and reliable service. We take great pride in our service and we work through some of the worst conditions imaginable to ensure members have electricity. In 2013, our average service availability index (the percentage of time that service was available to our members) was 99.987%. This means that just under 100% of the time we were able to keep the lights on for the membership as a whole. Also, while we were doing that, our employees were able to attain over 659,000 hours worked without a loss time incident-this means that every employee totaled at least 5,000 hours worked without a loss time injury. As a result Lumbee River EMC was recognized by our insurance company as one of the top 8 cooperatives out of the 579 they insure! This outstanding work performance saved \$65,000 in workers compensation insurance expenses.

**Membership also matters** because you have a voice and a vote in how your cooperative is governed. Through democratic control, members like you elect members from our cooperative to serve on the board of directors. Control stays in local hands. Your board of directors, along with those who work for your cooperative, are your friends, family and fellow citizens. They are familiar with your community. You shop at the same grocery stores and they are members of your civic groups and churches. You can find them donating time at the local fire department, rescue squad or coaching a little league baseball team.

We are here to help you, work with you, support you and most of all serve you. The bottom line: **Membership matters** because you matter to your electric cooperative.



# MEMBERSHIP MATTERS

# STATEMENT OF AUDIT

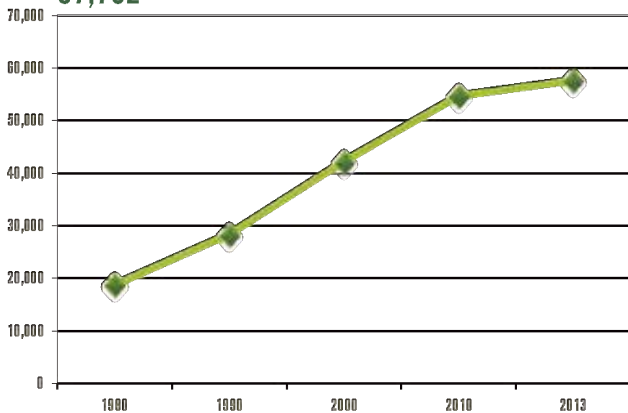
Lumbee River EMC, welcomes new accounting firm of Adams, Jenkins and Cheatham of Midlothian, VA.

Adams, Jenkins and Cheatham conducted an audit of the balance sheet and related statements of revenues and patronage capital and cash flows as of December 31, 2013. This audit was conducted in accordance with generally accepted auditing standards, including examining, on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presented.

In the opinion of the auditor, the financial statements of Lumbee River EMC present fairly, in all material respects, the financial position of Lumbee River Electric Membership Corporation as of December 31, 2013, and the results of its operations and its cash flows for the years then ended to be in conformity with generally accepted accounting principles.

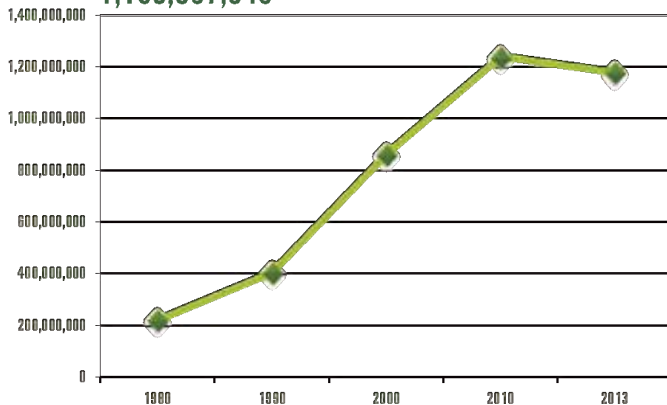
<b>Assets/Deferred Charges</b>	<b>2012</b>	<b>2013</b>
Net Utility	173,898,101	181,933,783
Investments	18,258,280	22,068,104
Cash	29,282,880	16,366,682
Notes & Accts. Receivable	18,915,502	25,145,702
Materials & Supplies	5,213,728	5,996,425
Other Current & Accrued Assets	143,035	132,892
Deferred Charges	1,025,127	4,459,154
<b>Total Assets</b>	<b>246,736,653</b>	<b>256,162,742</b>
<b>Liabilities/Members' Equity</b>	<b>2012</b>	<b>2013</b>
Membership	493,720	500,075
Equities & Margins	95,510,115	104,178,769
Long Term Debt	112,000,922	106,162,219
Accounts Payable	10,861,914	12,288,160
Other Non-Cur. Liabilities	9,837,147	10,759,165
Other Cur. & Accrued Liabilities	10,386,646	10,760,145
Deferred Credits	7,646,189	11,514,209
<b>Total Liabilities</b>	<b>246,736,653</b>	<b>256,162,172</b>
<b>Monies We Collect</b>		
<b>Revenues</b>	<b>2012</b>	<b>2013</b>
Sales of Electric Power	116,235,478	121,802,045
Miscellaneous Elec. Revenue	2,694,872	2,813,517
<b>Total Electric Revenues</b>	<b>118,930,350</b>	<b>124,615,562</b>
<b>Cost of Providing Services</b>		
<b>Expenses</b>	<b>2012</b>	<b>2013</b>
Purchased Power	81,835,806	86,556,979
Oper. & Maintenance	6,078,727	6,400,621
Consumer Accounting	3,698,425	4,257,231
Admin. & General Expense	7,561,411	8,236,872
Depreciation	7,012,276	7,490,589
Taxes	5,011,171	5,333,372
Interest	4,913,039	5,476,469
Other Dedications	13,064	(3,311)
<b>Total Liabilities</b>	<b>116,123,919</b>	<b>123,748,822</b>
<b>What We Had Left</b>		
<b>Margins</b>	<b>2012</b>	<b>2013</b>
Operating Margins	2,806,431	866,740
Other Margins	402,486	283,712
Non-Operating Margins	1,004,503	1,142,521
Gen. & Trans. Capital Credits	1,724,852	1,839,562
Income (Loss) from Investments	3,024,797	5,979,308
<b>Total Margins Assigned</b>	<b>8,963,069</b>	<b>10,111,843</b>

## MEMBER ACCOUNT GROWTH 57,782



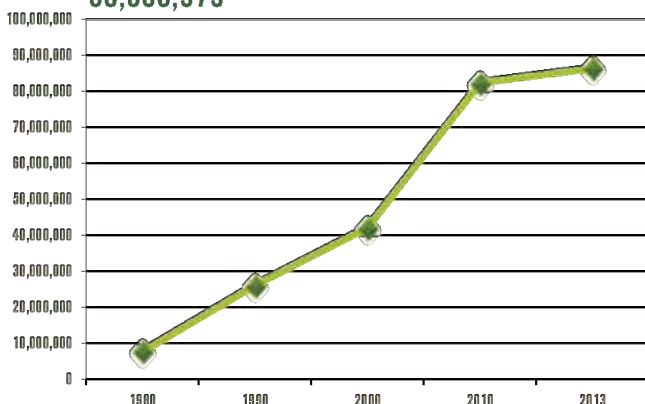
1980: 18,906    2010: 54,813  
1990: 28,511    2013: 57,782

## KILOWATT HOURS SOLD 1,180,097,348



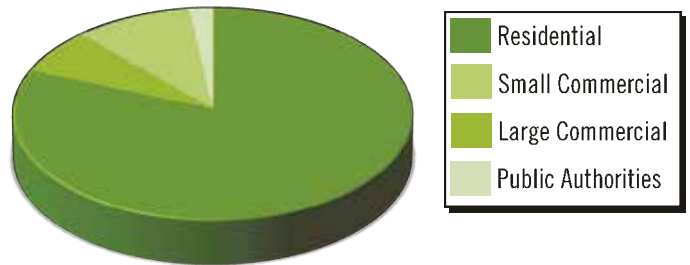
1980: 223,614,905    2010: 1,242,055,406  
1990: 406,008,573    2013: 1,180,097,348  
2000: 863,908,447

## COST OF POWER 86,556,979



1980: 7,916,813    2010: 82,412,585  
1990: 26,272,506    2013: 86,556,979  
2000: 42,288,392

## SOURCES OF REVENUE



### RESIDENTIAL – 81 PERCENT

Homes, churches, clubs, and community houses.

### SMALL COMMERCIAL – 10 PERCENT

Business accounts whose annual load average is 1000 KVA or less per month.

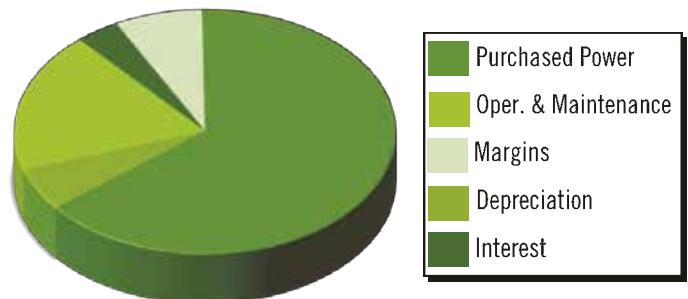
### LARGE COMMERCIAL – 7 PERCENT

Commercial and industrial accounts whose annual load average is over 1000 KVA per month.

### PUBLIC AUTHORITIES – 2 PERCENT

Schools, street lighting, and other community accounts.

## EXPENSES AND MARGINS



### PURCHASE POWER – 69 PERCENT

Purchased Power is the cost of getting the electricity to our substations from the suppliers who generate it.

### OPERATIONS & MAINTENANCE – 20 PERCENT

This includes construction and maintenance costs of lines, LREMC trucks, office equipment, buildings, salaries, and other operational expenses.

### MARGINS – 8 PERCENT

Margins represent the amount of money taken in by the cooperative over and above expenses. Other organizations call this "profit." Since we are a not-for-profit organization, the margins are reinvested to build lines. This helps decrease the amount of money that must be borrowed. The margins are later returned to the members in the form of Capital Credits.

### DEPRECIATION – 6 PERCENT

Equipment, buildings, and lines have a "quantity of usefulness," and day by day as they are used, the "quantity of usefulness" is consumed or expires.

### INTEREST – 4 PERCENT

This is the interest we paid on long-term debt- money borrowed from the Rural Utilities Service, Federal Finance Bank, or the Cooperative Finance Corporation to finance construction of lines and substations.



**Lumbee River**  
**ELECTRIC MEMBERSHIP CORPORATION**

A Touchstone Energy® Cooperative 

Members first. Every day. That's the power of co-op membership.



# MEMBERSHIP MATTERS