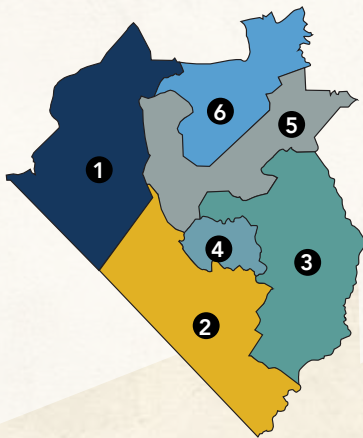




2014 Annual Report  
Celebrating 75 Years

## Board of Directors



Lumbie River EMC is governed by a 13-member Board of Directors. These member-directors are elected each year by their fellow co-op 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 Lumbie River EMC a successful cooperative. They are charged with establishing policies and overseeing financial decisions that are in the best interest of cooperative members.



**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



In March 1940, a group of citizens, who became the LREMC Board of Directors, met at the courthouse in Raeford and unanimously voted to form their own cooperative.

### The original Board members were:

#### Hoke County:

Marshall Newton; J.A. Roper;  
Mrs. Lucy Smith – Vice Chairman

#### Robeson County:

J.E. Morrison; C.A. Alford – Chairman;  
J. R. Caddell – Treasurer

#### Scotland County:

Dan McGirt – Secretary; Mrs. T. P. McGirt

#### Cumberland County:

J. McN. Gillis



Pursuant to due notice thereof, the 74th 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 16, 2014.



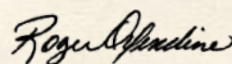
## Minutes of the 2014 Annual Meeting of the Members

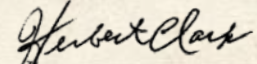
1. Registration and voting commenced at 1:00 p.m. and ended at 7:30 p.m.
2. Attorney Arlie Jacobs called the meeting to order and welcomed the members to the meeting. Mr. Jacobs introduced Reverend Horace Oxendine of Gray Pond Baptist Church to give the invocation.
3. Attorney Jacobs introduced Vice Chancellor for Advancement, Ms. Wendy Lowry - 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 22, 2014, the Corporation did place 51,072 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 10, 2013, Annual Meeting minutes. Upon a motion duly made and seconded, the membership waived the reading of the minutes of the 2013 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 had received two (2) petitions for nomination, placing into nomination Ambrose Locklear for District 3 and Spencer Locklear for District 5.
7. Ms. Sherry Carter presented the report of the Nominating Committee, placing into nomination the following names in the following districts:

District 1	Herbert Clark
------------	---------------
8. President & Chief Executive Officer Steven C. Hunt recognized special guests and gave a special thank you to the Saddletree Sanctuary Choir and Christ FWB Church Choir 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 2014 Annual Meeting of the Members was proclaimed adjourned.
14. The 2014 Annual Meeting of Members registered 2,027 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 3  
District 5  
District 6

Ronald G. Hammonds  
Elaine Oxendine-Chavis  
William Hollingsworth  
Jacqueline Hunt Chavis

  
Roger Oxendine  
Chairman

  
Herbert Clark  
Secretary



## Executive Report

Lumbee River EMC was built by members like you in 1940 with lines, poles and the idea of bringing electricity to farms, schools, homes, churches and businesses in Cumberland, Hoke, Robeson and Scotland counties. The goals were to provide safe, reliable, affordable power to improve the quality of life of the members served. Today, LREMC's goals remain the same.

We've come a long way since our first substation was energized in Red Springs, NC, on April 5, 1941. At LREMC's first annual meeting of the members, it was reported that the co-op had 469 miles of line and 409 members; today we have 5,721 miles of line and serve more than 50,000 members.

We have been fortunate to see growth continue at Lumbee River EMC. In 2014, we added over 1,700 new services to our service territory. Most of this growth is in the Hoke and Cumberland county sections of our service territory. Growth cannot occur without the necessary infrastructure to support the new homes and businesses that come to an area.

To ensure we have adequate infrastructure, Lumbee River EMC partnered with the Hoke County government in a \$15 million water and sewer expansion within the county. Lumbee River EMC worked closely with USDA to secure a \$1.3 million zero-interest loan to contribute to this project. In addition, we invested \$3.5 million in building a

new substation and transmission line (McLaughlin Substation) to ensure we had adequate facilities to handle the current membership and also address any new members that may be coming our way. We also provided Robeson County with a \$1.3 million Rural Economic Development Loan from USDA to add a second 1 megawatt electric generator at the landfill in St. Pauls. This additional generator provides revenue for the county while at the same time mitigating the impact of methane (a greenhouse gas) on the environment.

In addition to providing this community level support, your cooperative also provided over \$950,000 in loans to members for the addition of energy-savings measures or updated heating and cooling systems at their homes. Over 200 members took advantage of this program during 2014.

The year 2014 was also big for our fiber-to-the-home project. In 2009, we began a \$20 million loan/grant project (funded through the American Recovery and Reinvestment Act) to bring broadband Internet access to unserved and underserved areas of Robeson County. This project took some time to build, but finally in 2014, residents of the funded service area were connected to the network for the first time. Not only are they receiving high-speed Internet services, but many are also receiving TV and telephone services as well. We are grateful to the good folks at BlueWave Communications for providing these services over our new network.

Unfortunately, during 2014, we also implemented a rate increase. As a result of continued cost pressures from increasing wholesale prices and new contracts that went into effect in 2012, we found ourselves in a position where it was necessary to increase rates. This is never an easy decision as we are aware of the impact this action can have on the membership.



### June 1940

Lumbee River EMC receives state charter to provide electricity to residents in Hoke, Robeson, Cumberland, Scotland and Moore counties.



### April 1941

Located one mile outside of Red Springs on Highway 71, Remus Ransom was the first member to receive electric service from LREMC.



### July 1949

Lumbee River EMC's office moved from Raeford to a more central location in Red Springs, NC.



Other financial news from 2014 was much better news. The revenues for the year were over \$133 million. This represents almost a 7% increase in revenues over the previous year. The cost of power for the year was up approximately 4%, but we were able to keep other controllable expenses under control. As a result of this solid financial performance for the year, we were able to return \$4 million in capital credits to our members. This is the largest single-year retirement of capital credits in the history of the cooperative! This is the true "Cooperative Difference," and we plan to continue this practice as we are financially able to do so.

So here we stand, 75 years after the first members gathered to review the cooperative's performance. We wonder what those founding members would think of their cooperative today. Hopefully they would be amazed at where we are and proud of the groundwork we are laying for the future. There is no doubt that we're just getting started. We are committed to keeping the core traditions of the founding Board of Directors, employees and members at heart. We look forward to the next 75 years of delivering our members the best possible service as we continue to work to improve the quality of life for us all. Thank you for being part of our past, present, and our future!



**Roger Oxendine**  
Chairman,  
Board of Directors

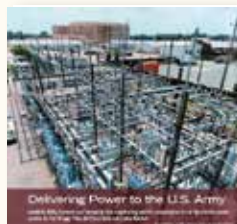


**Steven C. Hunt**  
President & CEO



## 1975

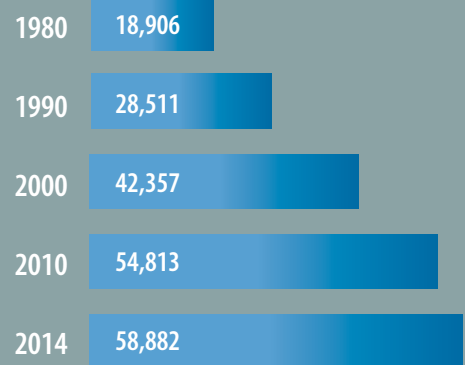
As LREMC continually grows, district offices in Lake Rim ('75), Fairmont ('78), Laurinburg ('79) and Lumberton ('80) open to provide convenient services for members.



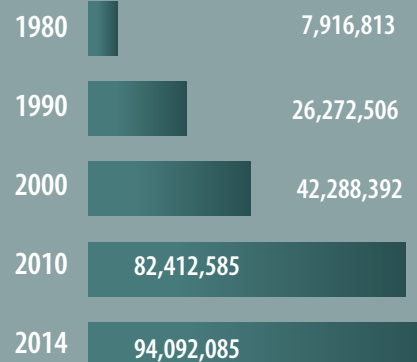
## 1997

Lumbee River EMC, along with Central EMC, South River EMC and Pee Dee EMC, formed Sandhills Utility Services to run the electric power system for Fort Bragg, Pope Air Force Base and Camp MacKall.

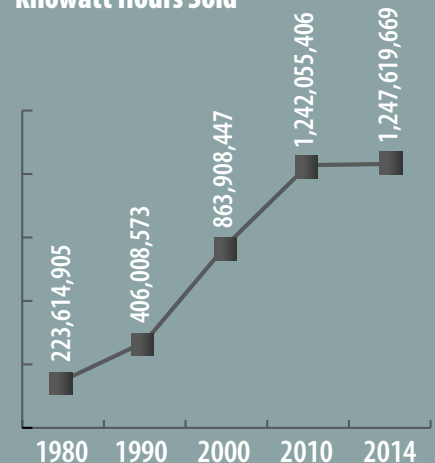
### Active Services



### Cost of Power



### Kilowatt Hours Sold



## Financials

### Statement of Audit

Adams, Jenkins and Cheatham conducted an audit of the consolidated financial statements of Lumbee River Electric Membership Corporation, which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of operations and comprehensive income, equities and cash flows for the years then ended, and the related notes to the consolidated financial statements. In the opinion of the auditor, the consolidated financial statements present fairly, in all material respects, the financial position of the Lumbee River Electric Membership Corporation as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Balance Sheet as of Dec. 31

	2014	2013
(Consolidated)		
<b>Assets</b>		
Utility Plant	\$ 192,288,887	\$ 181,993,780
Investments	32,221,016	27,394,815
Current Assets	47,173,473	40,318,651
Deferred Charges	3,693,031	4,459,155
<b>Total Assets</b>	<b>\$ 275,376,407</b>	<b>\$ 254,166,401</b>
<b>Equities &amp; Liabilities</b>		
Membership Fees	\$ 509,515	\$ 500,075
Accumulated Comprehensive Loss	(3,274,324)	(2,088,700)
Patronage Capital	100,878,495	96,392,028
Other Equities	9,840,439	7,786,739
Total Equities	107,954,125	102,590,142
Long-Term Debt	131,123,610	118,897,454
Current Liabilities	19,680,392	20,295,419
Deferred Credits	16,618,280	12,383,386
<b>Total Equities and Liabilities</b>	<b>\$ 275,376,407</b>	<b>\$ 254,166,401</b>

### Summary of Financial Performance

(Consolidated)		
Operating Revenue	\$ 133,658,860	\$ 124,615,562
Operating Expenses	123,235,841	118,275,665
Interest Expense	5,410,458	5,476,469
Net Margins	10,877,560	10,111,842
Net Plant	192,288,887	181,993,780
Total Assets	\$ 275,376,407	\$ 254,166,401
Member Equity	107,444,610	102,090,067
Modified Times Interest Earned Ratio	3.01	2.93
Modified Debt Service Coverage Ratio	2.18	1.61

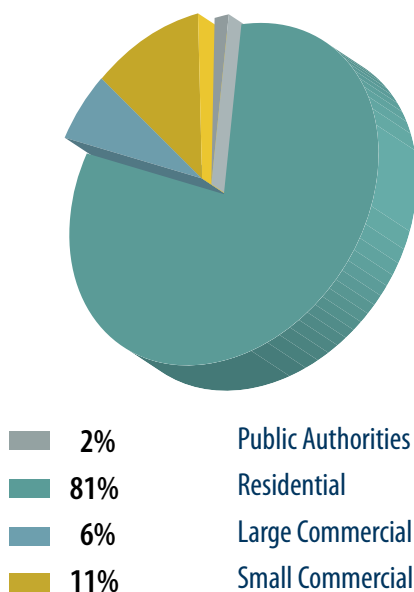
### Operating Statistics

Total Active Services	\$ 58,882	\$ 57,782
Kilowatt-Hours Sold	1,247,619,669	1,180,097,348
Miles of Line	5,707	5,672
Estate and General Retirements	4,680,000	3,445,662
Number of Employees	117	120
Cost of Power	\$ 94,092,085	\$ 86,556,979

## Statement of Operations & Patronage Capital

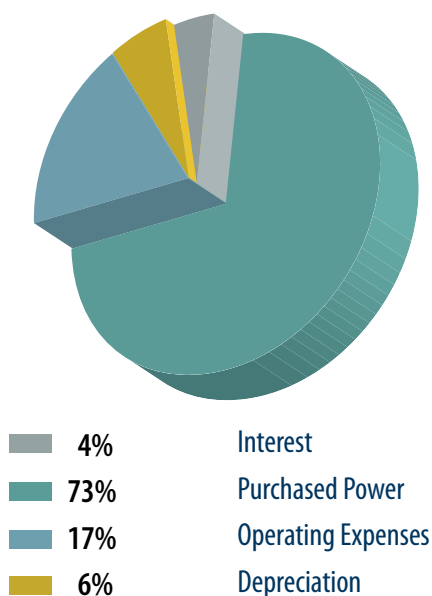
	2014	2013
(Consolidated)		
<b>Operating Revenue</b>	<b>\$133,658,860</b>	\$124,615,562
<b>Operating Expenses</b>		
Cost of Power	94,092,085	86,556,978
Transmission Expense	22,509	15,446
Distribution - Operation	2,065,530	2,531,698
Distribution - Maintenance	3,644,928	3,853,478
Consumer Accounts	3,292,202	3,272,492
Consumer Service	1,030,694	984,737
Administrative and General	7,864,256	8,236,875
Total Operating Expenses	112,012,204	105,451,704
<b>Other Expenses</b>		
Depreciation and Amortization	7,546,146	7,490,589
Taxes	3,677,491	5,333,372
Interest Expense	5,410,458	5,476,469
Total Other Expenses	16,634,095	18,300,430
Total Expenses	128,646,299	123,752,134
Operating Margins	5,012,561	863,428
<b>Non-Operating Margins</b>		
Patronage Allocations	2,045,812	2,123,274
Interest Income	1,361,175	1,145,630
Income from Equity Investments	2,326,608	5,979,308
Other	131,404	202
Total Non-Operating Margins	5,864,999	9,248,414
Net Margins	\$ 10,877,560	\$ 10,111,842
<b>Consolidated Statements of Comprehensive Income</b>		
Net Margins	\$ 10,877,560	\$ 10,111,842
Other Comprehensive Income (Loss)		
Net Gain (Loss) During Period	(1,121,900)	1,190,300
Amortization of Net Loss	115,476	213,400
Prior Service Credit	(179,200)	(179,200)
	(1,185,624)	1,224,500
Comprehensive Income	\$9,691,936	\$ 11,336,342
Patronage Capital - Beginning of Year	\$102,590,142	\$ 94,261,435
Margins	9,691,936	11,336,342
Retired Patronage Capital	(4,337,393)	(3,013,990)
Transfers and Other Changes	9,440	6,355
Patronage Capital - End of Year	\$107,954,125	\$102,590,142

## Electric Revenue



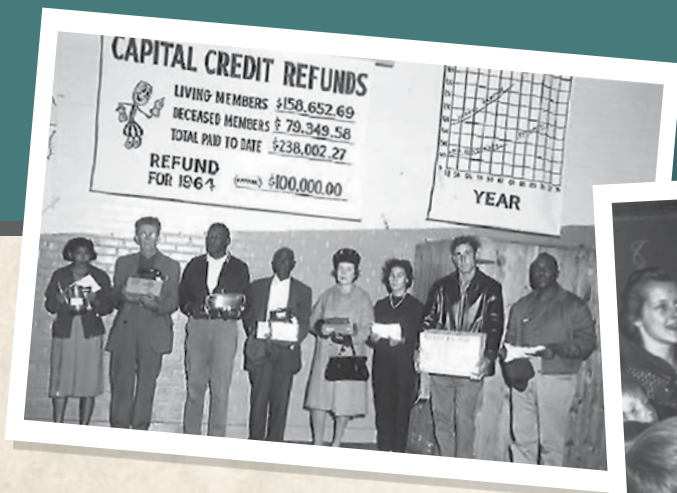
## Total Electric Revenue

## Allocation of Expense





2015 Annual Report for 2014  
Celebrating 75 Years



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