

**Tri-County Electric
Membership Corporation
2013 Annual Report**

ready
to **Serve**
You



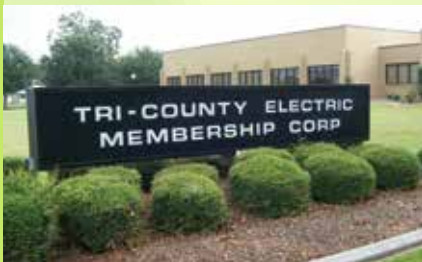
**Tri-County Electric
Membership Corporation**

A Touchstone Energy® Cooperative 



**CARL KORNEGAY, JR.,
PRESIDENT (LEFT)**

**J. MICHAEL DAVIS,
GENERAL MANAGER**



Tri-County Electric Membership Corporation was originally formed in 1940 by a small group of locals determined to bring electricity to their farms and residences. Investor-owned power companies refused to provide power to rural areas that did not ensure immediate profit. Tri-County has grown from those humble beginnings to become one of the most-respected electric cooperatives in North Carolina. In 2015, Tri-County EMC invites its members to celebrate a historic milestone—the co-op’s 75th anniversary.

It’s difficult to imagine that in the 1930s, nearly 90 percent of rural people lived and worked without electricity. The Rural Electrification Administration (REA), created by President Franklin D. Roosevelt in 1935, helped the local folks’ dream of bringing electricity to rural areas become a reality for the determined founders of Tri-County Electric Membership Corporation. These men and women helped recruit their neighbors to pay the \$5 membership fee and “sign up for the REA.”

With engineering and financial assistance provided by the REA, power lines soon began to stretch across the countryside, connecting homes and farms to the electricity that made life easier and much more efficient. Many of those original co-op members helped clear the rights-of-way and set the first poles by hand. Those who lived through the “coming of the lights” remember it as “life-changing” and “miraculous.” As a result of electrification, farm production jumped, and things like running water, lights, and stored food were possible. The landscape of our communities was forever changed for the better.

Tri-County Electric Membership Corporation was chartered 75 years ago on May 8, 1940, to meet a vital need in our region. As a not-for-profit organization, the co-op still exists to serve our members and improve the quality of life in our communities.

The cooperative has faced many changes and challenges in the electric industry over the years. As we continue to face more changes and challenges in the future, the mission of Tri County Electric Membership Corporation will remain the same. We are a member-driven cooperative committed to providing reliable electric power at a reasonable cost, to offering superior service, and to taking an active role in supporting the communities it serves. The core values of Tri County Electric will remain the same. Integrity, accountability, innovation, and commitment to community are the cornerstones on which Tri County EMC has built a strong cooperative.

Commitment to Community

Community-oriented programs are a top priority at Tri-County EMC. The Operation Round-Up program, which began in September 2000, has helped many needy individuals and non-profit organizations in our communities. Funds donated through the rounding up of the electric bill to the nearest dollar are disbursed by the Tri-County Electric Foundation Board to non-profit organizations to purchase equipment for the organization or to offer assistance for needs of the community, such as shelter, food, health care, emergencies and other humane needs; or to individuals and families who are suffering unusual or unexpected problems and are in grave need of assistance. The average member rounds up 50 cents per month. Our participation rate is 95 percent. In the first 14 years, our members have contributed more than \$1.4 million to improve the quality of life in our communities.

To secure the future of our communities, our employees provide scholarships to send local students to college. Since 2001, 567 high school seniors have received scholarships totaling \$256,750. These budding leaders will help us build a better world.

Since its inception in 1994, the Bright Ideas Grant Program has contributed millions of dollars to teachers across the state of North Carolina to fund educational projects. Tri-County EMC is proud to have awarded \$1,196,995.42 to teachers in our service area to fund 1,291 innovative teaching projects. The impact reaches thousands of students. We are proud to be making a difference for individuals and communities in our service area.

The Rural Electric Youth Tour to Washington, D.C., is held each summer. Last summer, Tri-County EMC sent three high school rising seniors to our nation's capital to learn about leadership, teamwork, and our nation's ideals.

Tri-County EMC, along with the North Carolina Association of Electric Cooperatives, selects two middle school students each year to attend the Touchstone Energy Roy Williams Basketball Camp at UNC-Chapel Hill for male students and the Wolfpack Basketball Camp at NC State University for female students.

To help you save on daily expenses, we provided the Co-op Connections Card. You can use the card at pharmacies in Walmart, Target, CVS, Rite-Aid and a host of other locations to save money on your medications.



A Bright Future

The future will hold many challenges, indeed. But even with rising costs for supplies and fuel and the threat of more governmental regulation of power generation, Tri-County EMC remains committed to providing outstanding service. The co-op consistently works to reduce costs and involve our members in the fight for affordable electricity.

We will need more energy as we grow and we are truly committed to supplying energy without compromising the environment, our life-styles and our budgets. We can be more efficient in how we use energy and we can encourage the use of renewable energy resources, now and in the future. This is quite a challenge for Tri-County EMC and other cooperatives across the nation. Please remember that even after 75 years, our top priority is to continue working together to make sure that our member/owners have as much electricity as they need, when they need it, where they need it, and at the lowest possible cost while protecting our environment now and in the future.

As part of our 75th anniversary celebration, the co-op has created a 2015 75th Anniversary calendar. Members attending the Annual Meeting will receive this commemorative calendar. Also, be watching our newsletter and our website, www.tcemc.com, throughout the coming months for more information as we commemorate this special anniversary!

ready
to Serve
YOU



Financials

Balance Sheets October 31, 2013 and 2012

2013

2012

ASSETS

UTILITY PLANT

Electric Plant in service-at cost	\$ 92,310,163	\$ 89,693,228
Construction work in progress	<u>1,237,394</u>	<u>1,030,199</u>
	93,547,557	90,723,427
Less: accumulated provision for depreciation and amortization	<u>(29,393,725)</u>	<u>(27,751,699)</u>
Total Utility Plant (Net)	64,153,832	62,971,728

OTHER PROPERTY AND INVESTMENTS

Investments in associated organizations	<u>2,026,299</u>	<u>1,947,630</u>
Total Other Property and Investments (at cost)	2,026,299	1,947,630

CURRENT AND ACCRUED ASSETS

Cash and cash equivalents	3,137,704	3,637,179
Accounts receivable—trade (less provisions for doubtful accounts of (\$830,288 in 2013 and \$762,240 in 2012))	5,115,308	5,581,150
Accounts receivable—other	92,598	359,036
Materials and supplies (at average cost)	392,940	462,101
Merchandising inventory (at cost)	3,699	4,062
Prepaid assets	<u>595,796</u>	<u>501,345</u>
Total Current and Accrued Assets	9,338,045	10,544,873

DEFERRED CHARGES

53,307 79,266

RENEWABLE ENERGY CREDITS (RECS)

260,980 213,181

TOTAL ASSETS

\$ 75,832,463 **\$ 75,756,678**

EQUITIES AND LIABILITIES

EQUITIES AND MARGINS:

Memberships	\$ 93,380	\$ 93,505
Patronage capital	<u>25,071,238</u>	<u>23,422,647</u>
Total Equities and Margins	25,164,618	23,516,152

LONG-TERM DEBT:

RUS mortgage notes	16,489,976	16,832,369
RUS FFB notes	15,239,972	15,531,670
RUS Cushion of Credits (unapplied payments)	(112,964)	(209,177)
N.R.U.C.F.C. mortgage notes	6,676,456	7,264,942
Unamortized note discount	(615)	(973)
Accumulated provision of pensions & benefits	6,336,500	6,427,500
Less: current maturities—mortgages	(1,017,735)	(1,019,409)
current maturities—accumulated pensions & benefits	<u>(197,700)</u>	<u>(194,500)</u>
Total Long Term Debt	43,413,890	44,632,422

CURRENT LIABILITIES:

Current maturities of long-term debt	1,215,435	1,213,309
Accounts payable	3,242,942	3,544,487
Consumers' deposits	1,944,335	1,974,145
Other current and accrued liabilities	<u>851,243</u>	<u>875,563</u>
Total Current Liabilities	7,253,955	7,608,104

DEFERRED CREDITS

0 0

TOTAL LIABILITIES, EQUITIES AND MARGINS

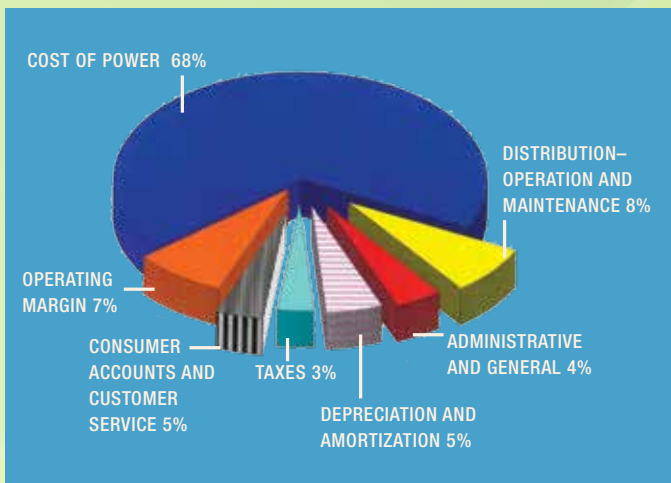
\$ 75,832,463 **\$ 75,756,678**



STATEMENTS OF REVENUE AND PATRONAGE CAPITAL

For the Years Ended October 31, 2013 and 2012	2013	2012
OPERATING REVENUES	\$ 54,459,408	\$ 53,774,461
OPERATING EXPENSES:		
Transmission expense	44,261	25,717
Cost of power	36,944,734	36,721,020
Distribution—operation	1,704,678	1,627,937
Distribution—maintenance	2,393,914	2,323,452
Consumer accounts	1,606,222	1,537,464
Customer service and informational	849,214	648,777
Administrative and general	2,324,862	2,215,468
Depreciation and amortization	2,787,184	2,639,241
Taxes	1,751,256	1,728,115
Total Operating Expenses	50,406,325	49,467,191
OPERATING MARGINS BEFORE FIXED CHARGES	4,053,083	4,307,270
FIXED CHARGES		
Interest on long-term debt	1,800,371	1,830,730
NET OPERATING MARGINS	2,252,712	2,476,540
NON-OPERATING MARGINS:		
Interest income	82,886	48,874
Patronage capital—received from associated organizations	146,730	57,602
Non-operating margins—other	15,303	56,502
Total Non-Operating Margins	244,919	162,978
Net Margins for Period	2,497,631	2,639,518
PATRONAGE CAPITAL—BEGINNING OF YEAR	23,422,647	22,465,871
ASC 715- defined benefit plan	576,500	(397,400)
Gain from equity investment	0	50,865
Retirement of capital credits	(1,425,540)	(1,336,207)
PATRONAGE CAPITAL—END OF YEAR	\$ 25,071,238	\$ 23,422,647

TRI-COUNTY SERVES WAYNE, DUPLIN AND LENOIR COUNTIES.
THE COOPERATIVE SERVES A SMALL NUMBER OF MEMBERS IN
JOHNSTON, JONES, SAMPSON AND WILSON COUNTIES.



AT THE END OF 2013,
TRI-COUNTY HAD



MILES OF ENERGIZED LINE: 2,531



SUBSTATIONS: 15



TOTAL SERVICES: 25,399



AVERAGE RESIDENTIAL USE
PER MONTH: 1,343 KWH

ready
to Serve
You

Employees... Ready to Serve You!



J. Michael Davis, General Manager

Whether it's building and maintaining power lines or processing service orders, installing or repairing security lighting or receiving payments and answering questions about billing, our qualified workforce stands ready to meet your every energy need. Because we are a local organization, owned by you — our

member/consumers — and staffed by local professionals, we are in a good position to listen and respond to your needs.

The employees of Tri-County recognize technology as an enabler, but realize that it's our people who make the difference in providing satisfactory customer

service. We strive to utilize technology and apply it in ways that it will make a positive difference in our members' lives. As our industry evolves and the needs of our members change, we will continue to develop responsive programs that will assure customer satisfaction. We are Ready to Serve You!

Seated, left to right: Sue Beal, Glenda Barwick, Jo Brown and Jacqui McNair.
Standing, left to right: Denise Simmons, Steve Mason, Karen Arnette, Ken Davis, Don Keen, Betty Best, Bob Kornegay and Paula Davis



Kneeling, left to right: Jeremy Whitfield, Charles Pate, Jr. and David Thornton.
Standing, left to right: Glenn Hester, Robert Brogden, Billy Newcomb, Dana Lewis, Sean Sullivan, Tony Grantham and Mike Wood.



Kneeling, left to right: Parker Kennedy, John Cozine, Brian Hope, Brad Thigpen, Andy Beavers, Leonard Person and Pete Jones.
Standing, left to right: Ron Miller, Anthony Denning, Ken Willoughby, Ricky Richardson, Ronald Outlaw, William Jones, Ralph Kelly, Daniel Hood, Aaron Barwick, Taylor Coates, Jeff Kennedy, Bill Fischer, Jerry Mazingo and Earl Speight. Not pictured: Mike Buegeler and Todd Harrell.



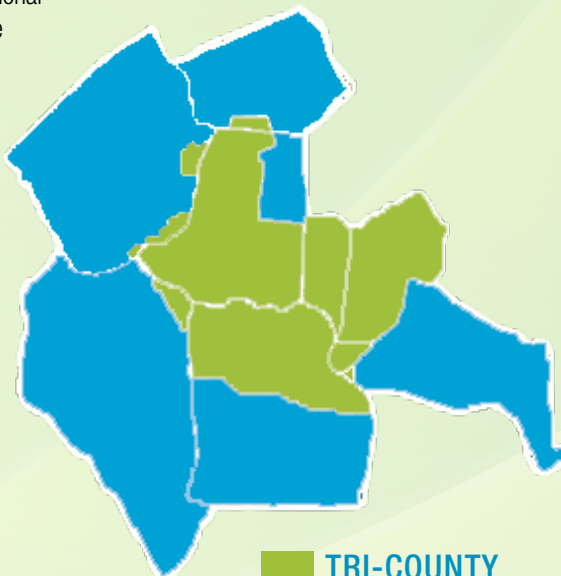


Seated, left to right: Richard Grady, William Farmer Jr., Leland Heath, Jr. and Carl Kornegay, Jr. Second row, standing left to right: Worth Overman, Jr., Randy McCullen, Dallace Grady and Brandy Rouse. Back row, left to right: Jennings Outlaw, Keith Beavers and David Vinson.

Your Board of Directors... Ready To Serve You!

A member-elected board of directors governs your cooperative. The directors bring knowledge, business skills and personal experience to the cooperative board. The functions of the board of directors are to set governing policy, approve budgets and select a manager to carry out the day-to-day operations of the cooperative. The board's ability to make good, sound business decisions ensures each member of receiving quality, reliable electric service at the lowest possible cost. The board of directors meets monthly, or more often as necessary, to carry out responsibilities.

Each director has achieved, or is earning, director credentials and Board Leadership Certification from the National Rural Electric Cooperative Association (NRECA). These curriculums, as well as additional training by national and state associations, provide greater depth on industry issues that affect cooperatives and our members, governance, risk management, rate making and policy development and other areas that help ensure strong leadership for Tri-County Electric to benefit our members.



**TRI-COUNTY
SERVICE AREA**

Nominated by Committee For Re-election



**DISTRICT 1 –
DUPLIN COUNTY
KEITH BEAVERS**



**DISTRICT 1 –
DUPLIN COUNTY
CARL KORNEGAY, JR.**



**DISTRICT 2 –
WAYNE COUNTY
RANDY MCCULLEN**



**DISTRICT 3 –
LENOIR COUNTY
BRANDY ROUSE**

ready
to Serve
You

HOUSE WISH LIST

KITCHEN ITEMS

Individual Snacks & Chips
Tea Bags
Easy Mac
Pop Tarts
Vegetable Oil
Canned Meat (tuna, chicken)
Single-Serve Cereal
Brownie/Cake/Muffin Mixes
Canned Frosting
Match Light Charcoal
K Cups
Fruit Cups/Applesauce
Paper Plates & bowls
Sugar
Tea Bags
Canned Baked Beans
Cupcake Papers
Artificial Sweetener
Relish, Ketchup, Mustard, Mayo
Canned Pasta & Soup
Ramen Noodles
Coffee Creamer
Napkins
Powdered Drink Mix
Grits Packets
Microwave Popcorn

HOUSEHOLD SUPPLIES

Clorox Wipes
Febreze
Pledge
Paper Towels
8 & 13 gal Trash Bags (unscented)
Ziploc Bags
New Toys for Bingo Prizes
White Flat & Fitted Sheets (Full)
White Standard pillowcases
White Bath, Hand Towels, Bath Mats
New E-rated Xbox 360 & Wii games

OFFICE SUPPLIES

Copier Paper
Postage Stamps
Invitation Envelopes
Avery 5160 labels

GIFT CARDS/CERTIFICATES

Wal-Mart
Food Lion
Harris Teeter
Target
Lowe's Home Improvement
Gas Cards

For the safety of our families, we ask that only new non-expired items are donated. We currently have an abundance of canned vegetables and toilet paper.



Home is a place where you and your family enjoy spending time together, where you feel safe, where you know you'll have people that care about you around. That's the feeling The Ronald McDonald House of Eastern North Carolina provides families when they come here to stay.

People need that feeling of home when something unexpected comes up, like a child becoming sick or injured and they're not able to be close to their own. They might have to venture far away from their house for treatment, which puts added stress on a family both emotionally and financially. The Ronald McDonald House lets families stay together at a low cost, and support one another while giving them a place to call home. Because when times are tough, that feeling of home is what a family needs to make it through.

Families in Eastern North Carolina now have another place to call "home" when dealing with a sick or injured child. The Ronald McDonald House of Eastern North Carolina has expanded its services—a SECOND Ronald McDonald House is available inside the new James and Connie Maynard Children's Hospital at Vidant Medical Center. The facility, known as the Ronald McDonald House at Vidant Medical Center, will serve any family with a child receiving treatment at Maynard Children's Hospital, even those on an outpatient basis. The space features a 2,500-square-foot common area for use by all families, as well as 6 guest rooms. The common area offers families a much-needed place of respite just steps away from their hospitalized children, complete with a kitchen and dining area, playroom, outdoor patio, private bathroom with a shower, serenity lounge and laundry facilities. Their hope is to bring comfort and healing to even more families, giving them a "home away from home" inside the hospital.

HOW CAN YOU HELP?

The Ronald McDonald House has assisted many families within our service territory over the years. Please bring some of the following items to the Annual meeting to help them to stock their pantry.

Or you may just want to write a check for the Adopt-A-Family Program and give it to the representative at the meeting.
Adopt a family for one night \$10
Adopt a family for a week for \$70

Many eastern North Carolina families with sick or injured children have benefitted from this "home away from home." Thank you for your support year after year! For more information on how you can help the Ronald McDonald House families, visit www.mhenc.org

HOUSE WISH LIST

To keep the two Houses running as homes, the program relies on Wish List item donations. Up to 27 families stay every night and many more use the common area inside the hospital each week.

Your donations help make their stay as comfortable as possible.

Items in BOLD are the most pressing needs. Also check out the online Wish List at www.amazon.com. Search the Wish Lists for Ronald McDonald House of Eastern North Carolina and have items shipped to the house.

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