

**TRI-COUNTY EMC
CELEBRATES 77 YEARS
OF SERVING YOU!**

**THE SEVEN
COOPERATIVE
PRINCIPLES THAT
GUIDE TRI-COUNTY**

VOLUNTARY
& Open Membership

DEMOCRATIC
Member Control

Members' Economic
PARTICIPATION

AUTONOMY
& Independence

EDUCATION
Training & Information

COOPERATION
Among Cooperatives

Concern for
COMMUNITY

**THE SEVEN NC
COUNTIES THAT
TRI-COUNTY EMC
WORKS TO SERVE**

WAYNE

DUPLIN

LENOIR

JOHNSTON

JONES

SAMPSON

WILSON

2016 ANNUAL REPORT

77 years ago, our pioneers formed the nonprofit cooperative because the quality of life and future of cooperative members depended on them. The cooperative was formed with a sole mission in mind: to provide safe, affordable and reliable power to the communities it serves. Although the **Seven Cooperative Principles** were adopted by the International Cooperative Alliance in 1995 – the roots of these principles go back to our formation in 1940, and 77 years later the cooperative still embraces and lives by these principles today.

Voluntary and open membership

You are a member of Tri-County EMC, along with all who receive electricity from us. We are glad to accept into our membership all who can reasonably use our services, regardless of gender, social, racial, political or religious affiliations. In 2016, we experienced 2% growth to our membership through residential and commercial accounts. Member's rates continue to remain steady. In fact, Tri-County EMC's last base rate change

was in January 2006. The board and the management team's philosophy is to keep a financially strong cooperative to keep our members' rates as low as possible.

Democratic member control

Attending your annual meeting is an opportunity to exercise one of your greatest benefits of the cooperative by electing your Board of Directors. As a member, your vote is a voice to these group of individuals who are responsible for setting our co-op's

policies and strategic direction. Who represent us not only on a local platform, but nationally as well when political issues arise that may affect our cooperative. In 2016, several of your Board of Directors were recognized for the years of service at the North Carolina Association of Electric Cooperatives annual meeting and several received their Director Gold Certificate, the highest level of education and recognition for electric cooperative directors nationwide.



Members' economic participation

Your monthly bill payments contribute to the financial capital of the cooperative. They allow us to do all the things we need to provide the service of electricity to you. This includes purchasing wholesale power, equipment and materials, as well as building and maintaining the infrastructure necessary

to deliver electricity to your home. If we collect more than what's needed to cover expenses, we return it to you in the form of member dividends. In 2016, the cooperative returned \$2,483,630.78 to members who received power from the cooperative during 1997.

Autonomy and independence

Tri-County EMC is proud to be a part of a network of 26 electric cooperatives in North Carolina and more nationally, but each one of these is independent and controlled by their own members. Local members always elect their co-op's Board of Directors, meaning every co-op can stay in tune with local needs.

Education, training and information

Tri-County EMC educates our members on a range of subjects from safety to energy efficiency. The cooperative teaches employees, members of the community and schools how to avoid the potential hazards associated with energized lines through our safety demonstrations. Safety is a top priority at the cooperative, and in 2016 the cooperative





did not have any loss time accidents — awarding Tri-County EMC a certificate of Safety Achievement through our national cooperative Rural Electric Safety Achievement program. We are proud to report Tri-County EMC has been accident-free since July 15, 2013. This was an all-employee effort that involved onsite inspections as well as providing training documentation related to safety.

Cooperation among cooperatives

Have you ever seen a truck with another co-op's logo roll through after a big storm? That's because we all work together under the belief that we serve our members most effectively through shared efforts. Hurricane Matthew struck our service territory hard in October 2016, not only leaving thousands of people without power, but also leaving a

lasting impression on our community. With the help of our sister cooperatives, Blue Ridge Energy and Rutherford EMC, contract crews Mastec and T&D Solutions, and the support of our community, we diligently worked to restore power to 22,450 Tri-County EMC



members. Also during this time, Tri-County EMC partnered with the American Red Cross to house their Disaster Relief Command Center at our office in Dudley. As a result of this collaborative effort, the American Red Cross honored Tri-County EMC with the Outstanding Community Partner of the Year Award!

Concern for community

Our children attend school together. We see you in church and at the grocery store. We're neighbors, and we are all part of this shared community. We want to see this community thrive, and because of that, we're committed to dedicating resources to its development. In 2016, the cooperative funded over \$82,000 to local schools through our Bright Ideas Program, identifying Tri-County EMC as the most generous Bright Ideas program in North Carolina. Tri-County EMC employees continue to support the scholarship program, which has now provided scholastic opportunities to 800 students totaling \$342,500. The cooperative also secured funding for Oak

Wolfe Volunteer Fire Department to purchase a tanker truck in the amount of \$100,000 and the University of Mount Olive for the renovation of an office building downtown in the amount of \$200,000 through the USDA Rural Economic Development Loan program.



Carl Kornegay, Jr.,
President (left)

J. Michael Davis,
General Manager

These **seven cooperative principles** are the essence of the electric cooperative business model and community. Tri-County EMC took on a great challenge 77 years ago, committing not just to the business of electricity, but to the greater purpose of making lives and communities better. Our success is powered by the Board of Directors and employees who understand and implement the membership structure and philosophical vision that electric utility cooperatives exist wholly to serve their members. We are your friends and neighbors, we are your cooperative!



Tri-County Electric
Membership Corporation

A Touchstone Energy Cooperative



FINANCIALS

Balance Sheets October 31, 2016 and 2015

2016

2015

ASSETS

Utility Plant

Electric Plant in service — at cost	\$ 102,226,580	\$ 98,551,006
Construction work in progress	<u>1,933,581</u>	<u>1,039,774</u>
	104,160,161	99,590,780

Less: accumulated provision for depreciation and amortization	<u>(36,175,870)</u>	<u>(33,592,852)</u>
Total Utility Plant (Net)	<u>67,984,291</u>	<u>65,997,928</u>

Other Property and Investments:

Notes receivable	100,000	0
Investments in associated organizations	<u>2,501,514</u>	<u>2,341,463</u>
Total Other Property and Investments (at cost)	<u>2,601,514</u>	<u>2,341,463</u>

Current and Accrued Assets

Cash and cash equivalents	2,887,876	6,274,956
Restricted Cash — USDA	20,000	0
Accounts receivable — trade (less provisions for doubtful accounts of \$1,040,301 in 2016 and \$988,316 in 2015)	4,380,943	4,773,685
Accounts receivable — other	625,554	41,673
Materials and supplies (at average cost)	389,597	453,996
Merchandising inventory (at cost)	8,773	8,856
Prepaid assets	<u>269,498</u>	<u>261,781</u>
Total Current and Accrued Assets	<u>8,582,241</u>	<u>11,814,947</u>

Deferred Charges

43,383 **55,944**

Renewable energy credits (RECs)

498,622 385,806

Total Assets

\$ 79,710,051 **\$ 80,596,088**

EQUITIES and LIABILITIES

Equities and Margins:

Memberships	\$ 96,305	\$ 96,285
Patronage capital	<u>25,239,962</u>	<u>24,926,540</u>
Total Equities and Margins	<u>25,336,267</u>	<u>25,022,825</u>

Non-Current Obligations:

RUS mortgage notes	0	15,753,393
RUS FFB notes	17,291,930	17,628,454
RUS Cushion of Credits (unapplied payments)	(118,649)	(17,744)
NRUCFC mortgage notes	5,152,297	8,209,628
CoBank mortgage notes	15,036,446	0
Note Payable — SDA	100,000	0
Accumulated provision of pensions & benefits	10,824,200	8,113,829
Less: current maturities — mortgages	(1,546,591)	(1,235,699)
current maturities — accumulated pensions & benefits	<u>(217,300)</u>	<u>(205,400)</u>
Total Non-Current Obligations	<u>46,522,333</u>	<u>48,246,461</u>

Current Liabilities:

Current maturities of long-term debt	1,763,891	1,441,099
Accounts payable	3,258,705	3,160,481
Consumers' deposits	1,837,915	1,875,700
Other current and accrued liabilities	<u>837,555</u>	<u>840,129</u>
Total Current Liabilities	<u>7,698,066</u>	<u>7,317,409</u>

Deferred credits

153,385 **9,393**

Total Liabilities, Equities and Margins

\$ 79,710,051 **\$ 80,596,088**

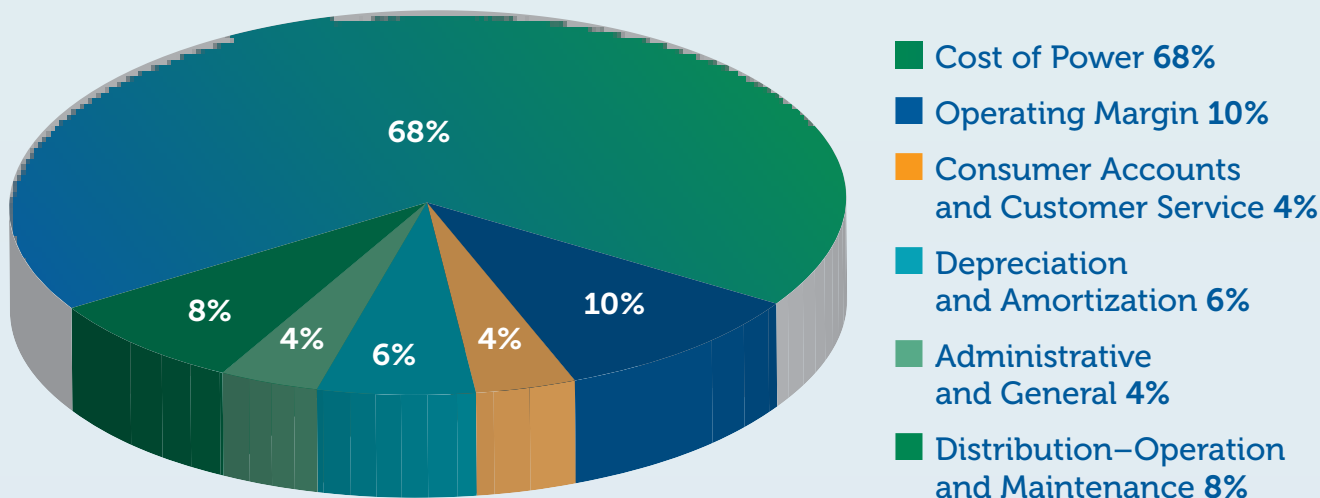
Statements of Revenue and Patronage Capital

For the Years Ended October 31, 2016 and 2015

	2016	2015
Operating Revenues	\$ 54,768,756	\$ 57,494,518
Operating Expenses:		
Transmission expense	129,272	31,609
Cost of power	36,942,573	41,663,333
Distribution – operation	1,627,368	1,612,227
Distribution – maintenance	2,677,917	2,605,456
Consumer accounts	1,614,773	1,582,735
Customer service and informational	742,754	619,972
Administrative and general	2,546,945	2,425,159
Depreciation and amortization	3,185,482	3,119,207
Total Operating Expenses	<u>49,467,084</u>	<u>53,659,698</u>
Operating Margins Before Fixed Charges	5,301,672	3,834,820
Fixed Charges		
Interest on long-term debt	<u>1,462,009</u>	<u>1,696,144</u>
Net Operating Margins	3,839,663	2,138,676
Non-Operating Margins:		
Interest income	39,479	40,861
Patronage capital – received from associated organizations	246,049	200,451
Non-operating margins – other	<u>67</u>	<u>117</u>
Total Non-Operating Margins	<u>285,595</u>	<u>241,429</u>
Net Margins for Period	4,125,258	2,380,105
Patronage Capital – Beginning of Year, as previously reported	24,926,540	25,350,049
ASC 715 – defined benefit plan	(2,080,600)	(556,400)
Retirement of capital credits	<u>(1,731,236)</u>	<u>(2,247,214)</u>
Patronage Capital – End of Year	<u>\$ 25,239,962</u>	<u>\$ 24,926,540</u>

Tri-County Electric Membership Corporation

Operating Costs as a Percentage of Operating Revenues Year Ended October 31, 2016





Line Personnel

Front Row, L to R: Mike Buegeler, Brad Thigpen, Ralph Kelly, Pete Jones, John Cozine, Bill Fischer and Dwayne Skinner.

Middle Row, L to R: Ricky Richardson, Ken Willoughby, Daniel Hood, Leonard Person, Jerry Mozingo, Taylor Coates, Aaron Barwick, Ronald Outlaw, Jeff Kennedy, Anthony Denning and William Jones.

Back Row, L to R: Todd Harrell, Ron Miller, Timothy Wolfe, Brian Hope, Andy Beavers and Parker Kennedy.



Engineering and Operations

L to R: Tony Grantham, David Thornton and Mike Wood.



Office Staff

Seated, L to R: Denise Simmons, Glenda Barwick, Kourtney Humphrey and Karen Arnette.

Front Row, L to R: Steve Mason, Jo Brown, Paula Davis, Donna Hill and Ken Davis.

Back Row, L to R: Deidra Locklear, Josh Mattox, Bob Kornegay and Sean Sullivan.



Service Men & Warehouse

L to R: Billy Newcomb, Charles Pate, Jeremy Whitfield and Dana Lewis.

Employees

Management Staff

J. Michael Davis

General Manager

Ken Davis

Manager of Office Services, Finance and Accounting

Tony Grantham, PE

Manager of Engineering

Bob Kornegay

Manager of Member Services & Marketing

Deidra Locklear

Manager of Communications & Public Relations

Josh Mattox

Manager of Information Technology

Mike Wood

Manager of Operations

Karen Arnette

Aaron Barwick

Glenda Barwick

Andy Beavers

Robert Brogden

Jo Brown

Michael Buegeler

Taylor Coates

John Cozine

Paula Davis

Anthony Denning

Bill Fischer

Todd Harrell

Donna Hill

Daniel Hood

Brian Hope

Kourtney Humphrey

Pete Jones

William BJ Jones

Ralph Kelly

Jeff Kennedy

Parker Kennedy

Dana Lewis

Steve Mason

Ron Miller

Jerry Mozingo

Billy Newcomb

Ronald Outlaw

Charles Pate Jr.

Leonard Person

Ricky Richardson

Dwyane Skinner

Denise Simmons

Sean Sullivan

Brad Thigpen

David Thornton

Jeremy Whitfield

Kenneth Willoughby

Timothy Wolfe

Call Center

Angela Anderson

Kimberly Jackson

Yvonne Martin

Lucinda Newell

BOARD OF DIRECTORS



President
Carl Kornegay Jr.,
District 1 –
Duplin County



Vice President
Leland Heath,
District 3 –
Lenoir County



Secretary
William H. Farmer,
District 2 –
Wayne County



Treasurer
Worth Overman Jr.,
District 2 –
Wayne County



Keith Beavers,
District 1 –
Duplin County



Dallace Grady,
District 1 –
Duplin County



Jeff Henderson,
District 2 –
Wayne County



Randy McCullen,
District 2 –
Wayne County



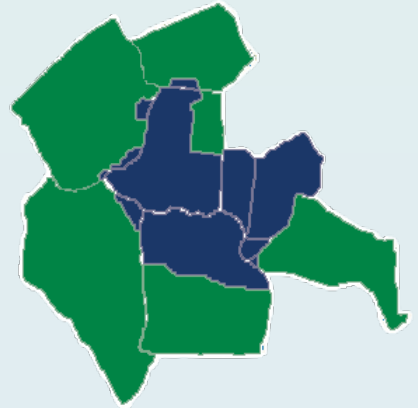
Jennings Outlaw,
District 1 –
Duplin County



Brandy S. Rouse,
District 3 –
Lenoir County



David Vinson,
District 2 –
Wayne County





Home is a place where you and your family enjoy spending time together, where you feel safe, where you know you'll have people around that care about you. 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.

The Ronald McDonald House of Eastern North Carolina has a second location inside the James and Connie Maynard Children's Hospital at Vidant Medical Center in Greenville. 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.

The Ronald McDonald House has assisted many families within the Tri-County EMC 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 the Ronald McDonald House of Eastern North Carolina and why donations are critical to help eastern NC families, visit rmhenc.org.

House Wish List

Kitchen Items

Individual Snacks & Chips

Sugar

Easy Mac

Canned Chicken

Brownie and Cake Mixes

Canned Frosting

Spaghetti Sauce

Pop Tarts

Cereal (Kid-friendly)

Pudding/Fruit Cups

Canned Pasta

Easy Noodle Soups

Household Supplies

Pine Cleaner

Disposable bowls

White Bath and

Hand Towels

Bath Mats

White Flat &

Fitted Sheets (Full)

White Standard

Pillowcases

Office Supplies

Postage Stamps

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, pasta, and toilet paper.

