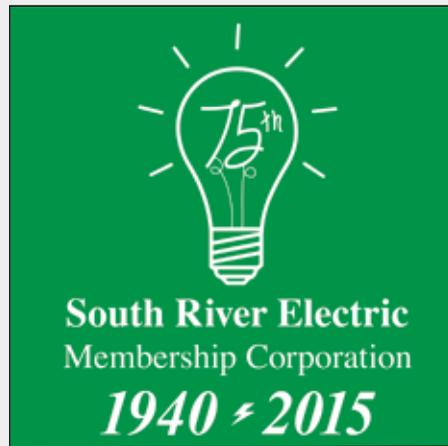


*Celebrating
75 Years of Service*



2015 Annual Report

Dedicated Leadership



Current South River EMC Board of Directors and CEO. Back row, left to right: Clifton McNeill Jr., Sue Flowers, Secretary William E. "Bill" Tew Jr., Dorcas Fisher, Vice President Kelly Herrington and Dr. Elena Sue Godwin-Baker. Front row, left to right: George Williams, CEO Chris M. Spears, President Francis Clifton and Carlton Martin (deceased).

To the right is the official photo of the South River EMC Board Directors circa 1950. Back row, left to right: Bynum Jackson, L.D. Herring, L.A Hall, Kyle Harrington and Ralph Johnson. Front row, left to right: Rebekah Evans, E.E. Fisher and Kesler Butler.





EXECUTIVE ORDER

ESTABLISHMENT OF THE RURAL ELECTRIFICATION ADMINISTRATION

By virtue of and pursuant to the authority vested in me under the Emergency Relief Appropriation Act of 1935, approved April 8, 1935 (Public Resolution No. 11, 74th Congress), I hereby establish an agency within the Government to be known as the "Rural Electrification Administration", the head thereof to be known as the Administrator.

I hereby prescribe the following duties and functions of the said Rural Electrification Administration to be exercised and performed by the Administrator thereof to be hereafter appointed.

To initiate, formulate, administer, and supervise a program of approved projects with respect to the generation, transmission, and distribution of electric energy in rural areas.

In the performance of such duties and functions, expenditures are hereby authorized for necessary supplies and equipment, law books and books of reference, directories, periodicals, newspapers and press clippings; travel expenses, including the expense of attendance at meetings and elsewhere; purchase; operation and maintenance of passenger-carrying vehicles; printing and binding; and incidental expenses; and I hereby authorize the Administrator to accept and utilize such voluntary and uncompensated services and, with the consent of the State, such State and local officers and employees, and appoint, without regard to the provisions of the civil service laws, such officers and employees, as may be necessary, prescribe their duties and responsibilities and, without regard to the Classification Act of 1923, as amended, fix their compensation; **Provided**, That in so far as practicable, the persons employed under the authority of this Executive Order shall be selected from those receiving relief.

To the extent necessary to carry out the provisions of this Executive Order the Administrator is authorized to acquire, by purchase or by the power of eminent domain, any real property or any interest therein and improve, develop, grant, sell, lease (with or without the privilege of purchasing), or otherwise dispose of any such property or interest therein.

For the administrative expenses of the Rural Electrification Administration there is hereby allocated to the Administration from the appropriation made by the Emergency Relief Appropriation Act of 1935 the sum of \$75,000. Allocations will be made hereafter for authorized projects.

Franklin D. Roosevelt

The White House,
May 11, 1935

7037



Committed to Excellence

CEO Chris M. Spears and
President Francis Clifton



2014 was a year of change. The year began with the search for a new chief executive officer to succeed 45-year veteran and retiring CEO Buddy G. Creed. By the end of February, the board of directors announced the selection of Chris M. Spears as the Cooperative's new leader after conducting a national search with assistance from the National Rural Electric Cooperative Association. Spears addressed the membership at the annual meeting in April and officially took the helm May 1.

In our ongoing commitment to excellence, we had several projects completed during 2014, all to ensure more reliable service for our members. We completed upgrades at four substations and completed construction on a new substation and breaker station in Gray's Creek. Additionally, we completed the upgrade of 7.4 miles of high-voltage transmission lines and new distribution lines from Western Harnett Substation on NC Highway 27 to Har-

ington Substation in Broadway.

In anticipation of a new substation to serve the rapidly growing area of western Harnett County, we secured easements for a six-mile transmission line to run from the Western Harnett Substation to the future Barnhill Substation off Thompson Rd. in Bunnlevel.

We completed upgrades to several spans of our distribution lines, performed underground maintenance of transformer equipment in one-quarter of our system. We have also replaced over 360 wooden poles as part of our pole inspection program. Utility poles are work horses, but they can succumb to rot, insect infestation and damage. We have an ongoing program to identify issues before they become problems.

To deliver on our dedication to high standards of performance and integrity, we started 2015 by providing all of our employees Touchstone Energy Service

Excellence training, which is designed to arm cooperative employees with the skills and tools to better serve our members. We also completed a two-day formal strategic planning session with the board of directors and key staff to plot the direction of the Cooperative as we move forward to make sure we are all focused on the same goals and objectives, which benefit the members of the Cooperative.

We have already begun this year with an aggressive schedule of projects slated for completion. We will continue work on the new Barnhill Substation and a second station in the Vander area of Cumberland County. Also, the construction of two new transmission lines, more upgrades to our current substations, several large solar projects potentially interconnecting and many on-going maintenance projects. We are also installing a new state-of-the-art phone system to better meet the needs of our members, contracting with the Cooperative Response Center—an industry leader—for our after-hours contact center and making a move from the Rural Utilities Service (RUS) to Cooperative Finance Corporation (CFC) for our lending needs. The change from RUS to CFC has been weighed heavily and we have determined that the overall savings in interest payments is substantial to the Cooperative and the change will also allow greater flexibility

Vision Statement:
Achieving Excellence
Empowering Members

in the future while lessening the regulatory burden on our daily work processes.

2015 also marks the year that we celebrate our 75th anniversary. It's a time to reflect on the commitment of those who worked to overcome many obstacles to

bring electricity to rural North Carolina and we look toward the future with hope and enthusiasm. It is only fitting to extend gratitude to

those early pioneers who spent evenings and weekends going door-to-door trying to convince their neighbors to invest in the Cooperative that would bring power to the people. Also, to the people who worked to build this system of poles, wires and transformers as well as those who worked in the office forging a path on which the rest of us would follow.

Celebrating 75 Years of Cooperation

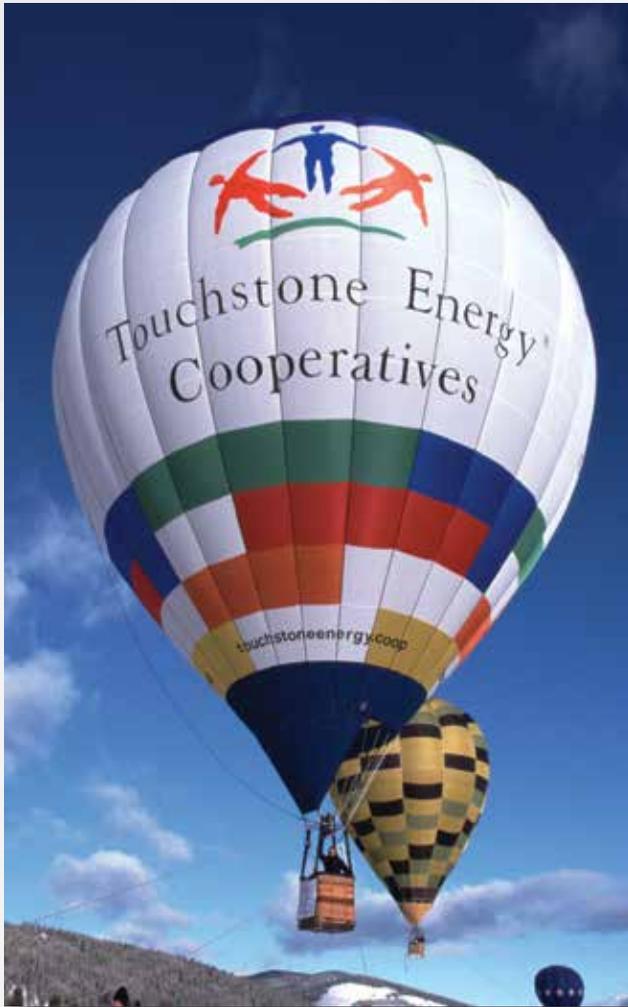
- Owned and controlled by those we serve.
- Not for profit, at-cost electric service.
- Transformed rural NC and still making a difference in the lives of our members today.
- Our mission is to provide safe, reliable competitively priced electricity.
- Our No. 1 priority is our members.

Financial Highlights

Assets	
Electric Plant at Original Cost	\$229,248,216
Less Depreciation	<u>58,785,352</u>
Net Plant	\$170,462,864
Cash	8,156,676
Investments	20,850,802
Accounts Receivable	12,118,464
Materials and Supplies	1,713,507
Prepayments, Accrued Assets & Deferred Debits	<u>3,892,295</u>
Total Assets	\$217,194,608
Liabilities	
Long Term Debt — RUS, CFC	\$ 93,672,097
Consumer Deposits	2,727,980
Accounts Payable	7,798,822
Deferred Credits	3,097,334
Other Liabilities	24,876,945
Membership Fees	64,930
Patronage Capital Other Equities	<u>84,956,500</u>
Total Liabilities	\$217,194,608
Operating Statement	
Operating Revenue & Patronage Capital Expenses	\$100,399,656
Cost of Purchased Power	61,887,075
Distribution Expense Operations	2,845,121
Consumer Accounts Expenses	3,320,698
Customer Service and Information Expenses	2,739,470
Administration General Expenses	5,111,574
Maintenance Expenses	6,144,205
Depreciation Amortization	6,817,466
Taxes	1,659,773
Interest on Long Term Debt	<u>4,661,650</u>
Total Cost of Electric Service	\$ 95,187,032
Margins	
Operating Margins and Patronage Capital	\$ 5,212,624
Non-Operating Margins	750,993
Other Capital Credits and Patronage Dividends	<u>1,479,966</u>
Total Operating and Non-Operating Margins	\$ 7,443,583

unaudited

Soaring To New Heights



To help mark our 75th anniversary celebration, the Touchstone Energy hot air balloon will be on display outside the Crown Center prior to the annual meeting. Then, after the meeting, the balloon will be lit up for a night glow. Hot air balloons are universally fascinating with a broad audience appeal. Their unique size, dynamic colors and the excitement generated guarantees the attention of conventional media, such as TV, radio and newspaper. The Touchstone Energy balloon serves as a goodwill ambassador for Touchstone Energy Cooperatives.





South River Electric Membership Corporation

A Touchstone Energy® Cooperative 

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Note: The 75th anniversary logo on the front cover was designed by
C. Jason Canady, winner of the Cooperative's logo contest.