



Rising to a
BRIGHTER
ENERGY FUTURE

ANNUAL REPORT 2018



Four County Electric
Membership Corporation

A Touchstone Energy Cooperative 

Your Cooperative had an excellent year in 2018, finishing in a strong competitive position.

Please review this report, which is designed to provide you with the facts and figures on the operation and financial health of your Cooperative. This information is beneficial in keeping you informed of how we prepare for a brighter energy future.

Revenues from the sale of electricity totaled \$96,643,744, which is an 8.42 percent increase from 2017. More than \$2.8 million was returned to members in the form of capital credit checks. In addition, excess margins in 2018 allowed for an additional \$4 million to be returned to members in the form of a Wholesale Power Cost Adjustment (WPCA) credit, which was shown on member's electric bills.

The Cost of Power

In 2018, the total cost of pur-

chased power was more than \$64 million. Roughly 67 cents of every dollar collected went to pay for wholesale purchased power. Four County EMC receives its power from the North Carolina Electric Membership Corporation (NCEMC), which provides electricity to electric cooperatives across the state. NCEMC receives power from the Catawba nuclear plant in York, S.C., where it is a partial owner, from natural gas turbine generators in Anson and Richmond counties, and also from the open market.

Margins & Member Ownership

Margins in 2018 totaled \$5,966,811. Members enjoy strong ownership of the cooperative with 41.06 percent equity in this \$214 million business.



Long-Term Debt & Interest

We made principal and interest payments of \$9.9 million to Rural Utilities Service (RUS), National Rural Utilities Cooperative Finance Corporation (CFC) and CoBank. Interest expense decreased \$96,000 from 2016.

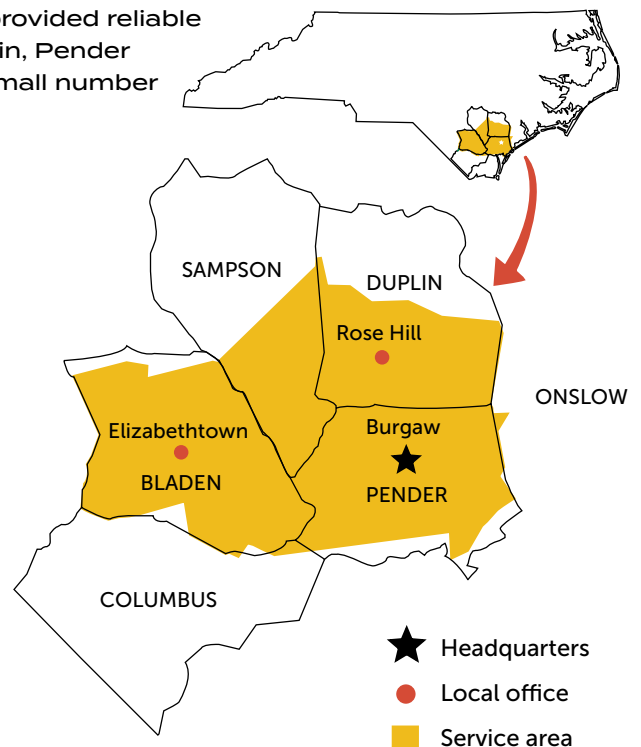
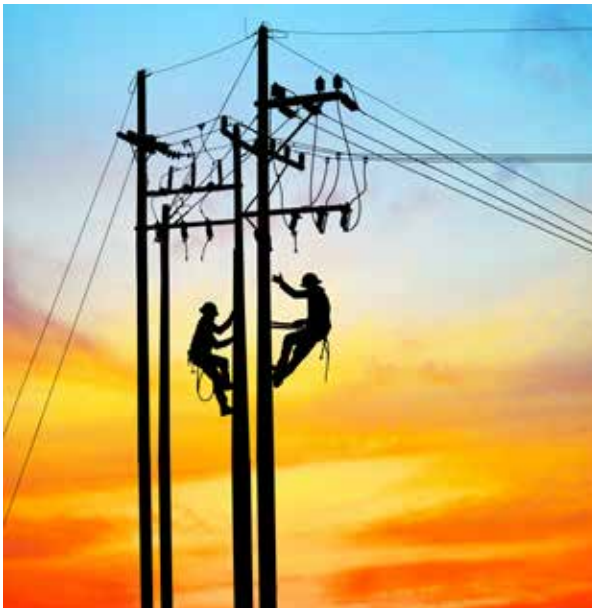
Plant Maintenance & Service Reliability

Your cooperative's system is well maintained with an emphasis on preventive maintenance. In continuing to work for you, we spent more than \$6 million last year to improve our electric delivery system. The average outage time per member in 2018 was 116 hours. Hurricane Florence caused the majority of outages.

Thank you for your support and we look forward to seeing you at this year's annual meeting on October 7.

Four County EMC Service Area

As of year-end 2018, more than 5,000 miles of overhead, underground and transmission lines, as well as 31 substations, provided reliable electric service to 32,009 services in Bladen, Duplin, Pender and Sampson counties. The co-op also serves a small number of services in Columbus and Onslow counties.





In the face of overwhelming odds,
2018 was a time of challenge and achievement for the cooperative.

Hurricane Florence Devastation and Recovery

In 2018, Four County EMC members again found themselves in the path of a major storm. Hurricane Florence, a large and slow-moving Category 1 hurricane, made landfall during the morning of September 14, 2018. The storm spent the next two days producing record-breaking rainfall and strong winds, leaving darkness and flooding throughout our service area. Downed trees and powerlines, compounded by the historical flooding, left more than 95 percent of our members without power. Record river levels over the next several days along the Cape Fear, Northeast Cape Fear, Lumbee, Black, South and Waccamaw Rivers caused millions of dollars of damage to eastern North Carolina and delayed access and restoration efforts. Hurricane Florence was a catastrophic event to many members in our service area.

With the aid of Four County employees, and 600 additional right-of-way crews, linemen and tree trimmers from across the

nation, power was restored within eight days to 99 percent of our understanding, but tired members. The remaining members waiting to receive electricity were located in flooded or washed out areas, or had damage that had to be repaired by the homeowner before power could be restored.

Repair and restoration of the electric system from Hurricane Florence carried a total price tag of about \$12 million.

Operation RoundUp® Reaches \$3 Million Milestone

The Four County Electric Membership Corporation Care TRUST, also known as Operation RoundUp®, has been in existence since 1994. Repeatedly, our members have proven through the participation in the program that “small change does change lives.” As of January 2018, over \$3 million has been distributed to Four County EMC members and non-profit organizations in need.

Hurricane Florence

199
 Broken poles

31
 Damaged transformers

144,145 ft.
 Wire replaced

11,548
 Manhours worked

Nearly \$12 million
 How much Hurricane Florence cost the co-op



In times of crisis, for example after the destruction of Hurricane Florence, our Operation RoundUp program again came to the aid of flooded members. As a result, the program granted \$79,200 in the form of Walmart gift cards to help with essential needs to 276 families that were flooded during the storm.

Including the monies used to benefit flooded victims, Operation RoundUp granted a total of \$206,092, assisting 15 organizations and 44 individuals.

At Four County EMC, our top priority is providing reliable electric service and energy services that meet the needs of our members and the communities we serve. As we move through 2019, we'll continue to work to bring you a bright energy future.

Join Us We invite you to join us at our Annual Meeting on Monday, October 7, to learn more about what the future holds at your cooperative.

Programs, Services & Technology

**PREPAY
ADVANTAGE**

3,576 members

pay for electricity as they use it with our Prepay Advantage Program. It's easier than stopping to gas your car, and there are no late fees or deposits.



7,189 members use our mobile app

They manage their accounts and track daily and hourly energy usage—all from a smartphone.



for installing a 16 SEER or greater heat pump.

\$15,750

in ENERGY STAR Rebates to members



The Comfort Loan program helps members replace existing heating and/or cooling systems with an all-electric high efficiency heat pump.



10,153 members set usage alerts

Usage alerts and reminders help

members stay on a budget and eliminate any surprises on the next bill.

Engineering and Operations System Upgrades

Four County EMC is continually upgrading, maintaining and applying the latest technology to improve the electric system's performance and efficiency.

System Upgrades

- Substantial system improvements were made in the Tar Heel and Armour areas to increase reliability and reduce low voltage issues.
- Upgraded our substation protection at the Charity substation to improve reliability.

Due to Winter Storm "Grayson," the Cooperative set a new peak demand record on January 8, 2018. The electricity demand reached 221 MW, blowing right past the winter record of 214 MW set in 2015.

Economic and Community Development

Four County reaches out to communities to provide technical and resource assistance for economic development to help create new jobs; reduce unemployment and under employment; and improve quality of life. We will continue to work with our local communities to build a brighter future.



Mojo Musical Supply

Last year, Four County EMC worked with the United States Department of Agriculture, which helped us in four endeavors, providing four loans to assist local communities regarding economic and community development. With USDA's help, we were able to make zero-interest loans to:

- **\$300,000 to Bladen's Bloomin' Agri-Industrial, Inc.** for financing a 26,490-square-foot industrial incubator in the Elizabethtown Industrial Park that will attract an industry, investment and new jobs.

- **\$300,000 to Pender EMS & Fire, Inc.** for financing two ambulance remounts, one 4WD water rescue truck, one logistics panel truck and associated equipment.
- **\$1 million to Pender County Government**, which passed the loan funds through to Mojo Properties LLC to be used in the financing of the upfit for the Pender Shell Building which houses Mojo Musical Supply.



Commitment to Community

Operation RoundUp

Gave \$126,892 in Operation Round Up® grants to local nonprofit organizations and individuals in crisis situations.

Gave \$ 79,200 in Emergency Funding to Hurricane Florence flood victims.

Basketball Camp

Sent two students to Touchstone Energy Sports Camps at NCSU and UNC-Chapel Hill.

Youth Tour

Sent two students on Youth Tour to Washington, D.C.

Bright Ideas

Awarded \$19,800 in grants to local teachers.

Youth Leadership Weekend

Hosted 18 students to enhance teambuilding and leadership techniques during the weekend event. Two \$1,000 scholarships were also awarded.

College Scholarships

Awarded \$10,000 in scholarships to students through the Scholarship Foundations of four Community Colleges in our service area.

Valuable Information from Community Meetings

Held 12 Community Meetings to educate members on what's happening in the electric utility and at their co-op.

Better Future with Technology



EV Charging Station

As part of the cooperatives' commitment to encourage alternative transportation and support electric vehicle commuters, Four County installed a public electric vehicle (EV) charging station in Wallace at the Mad Boar Restaurant. Currently, the charging station is free to use, while the cooperative collects data about usage and driver habits.

Payment Sites

As a convenience to our members, additional payment kiosks have been added to our service area, bringing our total to five kiosk locations. They are easy to use with payments posted automatically and immediately to your account! Visit PaysiteKioskLocator.com for locations, directions and hours. Over 18,707 payments have been made using a kiosk.

EUGENE JORDAN
Secretary-Treasurer

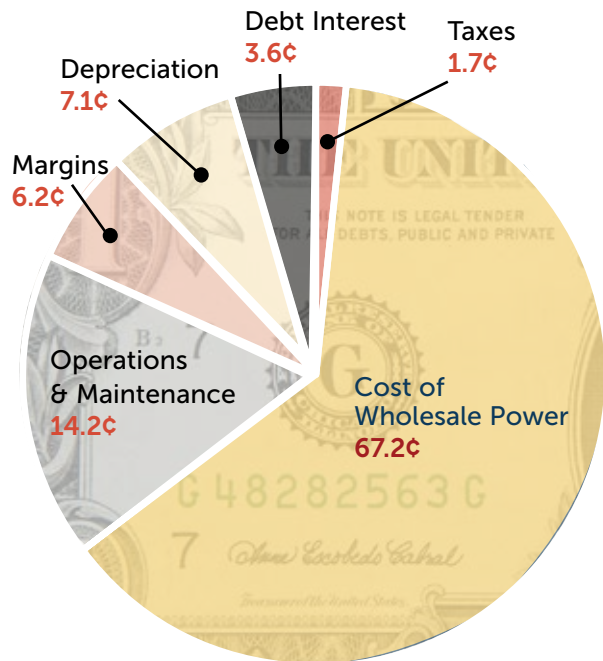


The following financial statement details the financial condition of Four County EMC upon close of business December 31, 2017 through 2018.

The financial statements were audited by Brown Edwards and Company, LLP, a certified public accounting firm in Roanoke, Va., and may be referenced at the Four County EMC headquarters in Burgaw.

Please take a moment to review these figures. Your cooperative's financial situation is stable with assets valued at over \$214 million and members holding 41.06 percent equity ownership. We should all be proud of the cooperative's financial strengths.

How Your Dollar Was Put to Work in 2018



2018
Number of New Service Lines
619



KEY COMPARISONS

	2017	2018
Revenue from Electricity	\$89,139,900	\$96,643,744
Margins	\$4,666,584	\$5,966,811
Members' Equity	\$83,826,220	\$88,180,845
Total Active Services	32,878	32,009
Kilowatt Hour Sales	891,977,531	959,993,511
Revenue per kWh (cents)	10.03	10.32
Average residential kWh monthly use per member	1,212	1,304

2018 Financial Statement

2017

2018

What We Took In

Operating revenue	\$89,139,900	\$96,643,744
Non-operating revenue and capital credits	2,801,497	3,391,440
TOTAL	\$91,941,397	\$100,035,184

What We Paid Out

Payroll, property and other taxes	\$1,628,386	\$1,599,662
Purchased power	59,822,659	64,916,013
Depreciation of plant and equipment	6,818,785	6,956,547
Interest on long-term debt	3,549,047	3,452,588
Operation, maintenance and other expenses	15,455,936	17,143,563
TOTAL	\$87,274,813	\$94,068,373

What We Had Left

Net margins for year (patronage capital)	\$4,666,584	\$5,966,811
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Assets

Value of net plant	\$161,449,720	\$161,327,058
Other investments valued at	22,192,868	24,048,834
Cash and temporary Investments	16,573,428	5,513,975
Accounts and notes owed to us	5,927,478	16,158,485
Materials and supplies	1,735,256	1,530,302
Other current and accrued assets	4,174,655	3,913,848
Deferred debits	2,962,953	2,240,881
TOTAL ASSETS	\$215,016,358	\$214,733,383

Liabilities

We owe RUS, CFC and others on long-term liabilities	\$112,634,093	\$110,315,267
We are holding deposit fees amounting to	1,294,206	1,165,947
We owe notes and accounts payable amounting to	7,201,127	6,092,489
We have allocated and unallocated margins amounting to	83,826,220	88,180,145
We have deferred credits and other liabilities amounting to	10,060,712	8,979,535
TOTAL LIABILITIES	\$215,016,358	\$214,733,383

Returned more than
\$45.6 million
 in Capital Credits to
 members since 1937!



Ways to Stay Connected

Stay up-to-date on the latest co-op news, community events, energy-savings tips and outage updates by following us on:

 Website: fourcty.org

 Facebook: facebook.com/fourcty.org

 Twitter: @fourcty



Board of Directors

Seated (l-r): S. Eugene Jordan, Secretary/Treasurer, West Pender Directorate District; S. Franklin Williams, President, West Duplin Directorate District; Bertice L. Lanier, Vice President East Pender Directorate.

Standing (l-r): Steven Matthis, West Sampson Directorate District; Carlton Raynor, East Duplin Directorate District; Clayton Hollingsworth, At-Large Member; R. W. Blanchard, Jr. East Sampson Directorate District; Ronald J. Allen, West Bladen Directorate District; Kenneth Thornton, Jr., East Bladen Directorate District; and Arlester Fullwood, At-Large Member.

Executive Staff

Mitchell L. Keel
Chief Executive Officer

Dan Allen
Vice President
Member Services

Gary Chitwood
Vice President
Finance & Accounting

Gregg Cohn
Vice President
Engineering

Scott Cook
Vice President
Operations

Don Gatton
Vice President
Human Resources

Anthony Kent
Vice President
Information
Technology



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