POWER FORWARD

NCMPA1

North Carolina Municipal Power Agency Number 1
2013 Financial Report

City Manager Ray Allen at the
Albemarle Prime Power Park

NORTH CAROLINA MUNICIPAL POWER AGENCY NUMBER 1

Annual Financial Report
(With Report of Independent Auditor Thereon)

December 31, 2013 and 2012

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McGladrey

Independent Auditor's Report

To the Board of Directors
North Carolina Municipal Power Agency 1
Raleigh, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of North Carolina Municipal Power Agency 1 (the Agency), which are comprised of the statements of net position as of December 31, 2013, and the related statements of revenue and expenses and changes in net position, and cash flows for the year then ended and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Carolina Municipal Power Agency 1 as of December 31, 2013, and the results of its operations and its cash flows for the year ended December 31, 2013, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The financial statements of North Carolina Municipal Power Agency 1 as of and for the year ended December 31, 2012, were audited by other auditors whose report dated April 1, 2013 expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the “Management’s Discussion and Analysis” on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise North Carolina Municipal Power Agency 1’s basic financial statements. The budgetary schedules and statements as listed in the table of contents as “Supplementary Information” are presented for purposes of additional analysis and are not a required part of the basic financial statements of North Carolina Municipal Power Agency 1.

The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McGladrey LLP

Morehead City, North Carolina
April 23, 2014

Management's Discussion and Analysis (MD&A)
Unaudited

As management of North Carolina Municipal Power Agency Number 1 (Agency), we offer this narrative overview and analysis of the financial activities of the Agency for the years ended December 31, 2013 and 2012. We encourage you to read this information in conjunction with additional information furnished in the Agency's audited financial statements and accompanying notes that follow this narrative.

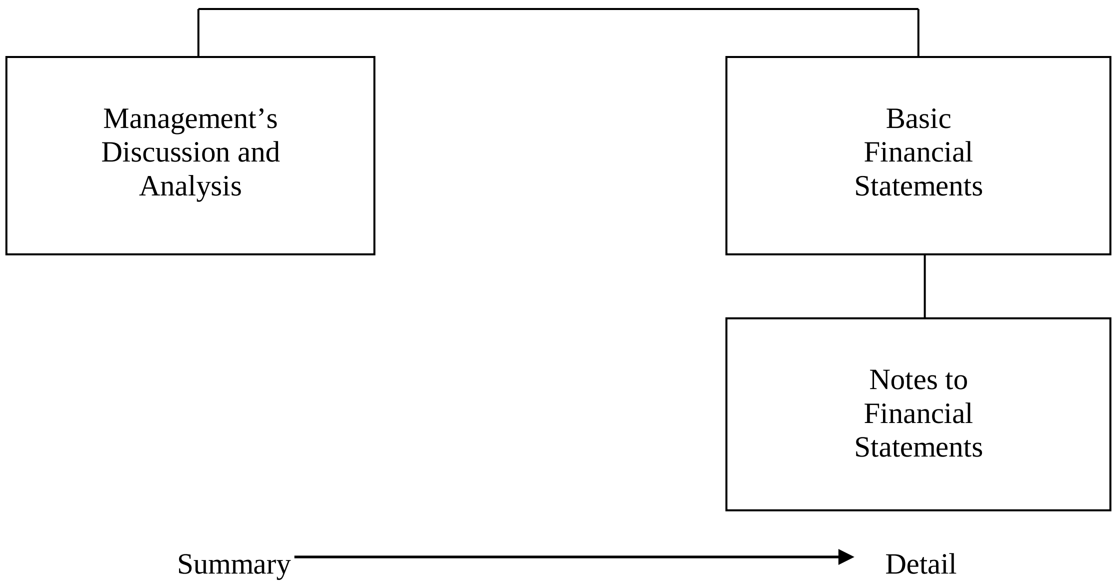
Financial Highlights

- The Agency's basic financial statements consist of a single electric enterprise fund.
- At year-end 2013 and 2012, the Agency's assets and deferred outflows of resources exceeded its liabilities by $51,276,000 and $68,552,000 (net position).
- The Agency's net position decreased by $17,276,000 and $19,898,000 for 2013 and 2012, respectively.
- Year-end 2013 and 2012 unrestricted net position deficit was $(578,129,000) and $(465,486,000), respectively, after decreasing $112,643,000 and $127,318,000, respectively.
- The Agency's total debt decreased by $83,425,000 and $24,570,000 during 2013 and 2012, respectively, due to principal paid, in accordance with debt service schedules.
  - Decreased $83,425,000 and $87,355,000 due to principal paid in 2013 and 2012, respectively, in accordance with the debt service schedules.
  - Increased $62,785,000 in 2012 due to the issuance of new debt and the refunding of existing debt.
- The bond ratings remained the same as follows:
  - Standard and Poor's – Unchanged at A (stable).
  - Moody's – Unchanged at A2 (stable).
  - Fitch – Unchanged at A (stable).
- The Agency increased rates to Participants by 5.0% effective July 1, 2013 and 2012, respectively, in accordance with the Agency's Rate Plan.

Overview of the Financial Statements

This MD&A serves as an introduction to the Agency's basic financial statements and notes to the financial statements (see Exhibit 1). In addition to the basic financial statements, this report contains other supplemental information designed to enhance your understanding of the financial condition of the Agency.

Required Components of the Annual Financial Report
Exhibit 1



Basic Financial Statements

The Agency is a special purpose municipal corporation that accounts for its activities as a business type entity. The first section of the basic financial statements is the Agency's single proprietary fund that focuses on the business activities of the electric enterprise. The statements are designed to provide a broad overview of the Agency's finances, similar in format to private sector business statements, and provide short and long-term information about the Agency's financial status, operations and cash flow. The statements report net position and how it has changed during the period. Net position is the difference between total assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Analyzing the various components of net position is one way to gauge the Agency's financial condition.

The second section of the basic financial statements is the notes that explain in more detail some of the data contained in the fund financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes are on pages 14 to 33 of this report.

After the notes, supplemental information is provided to show how the Agency's rates recovered its expenses as defined by the Bond Resolution, to show the Agency's performance against budget and to show activities in the special funds established by the Bond Resolution or the Board of Commissioners. Supplemental information can be found on pages 34 to 39 of this report.

Financial Analysis

The electric enterprise fund financial statements for the years ended December 31, 2013 and 2012 are presented in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34.

Condensed Statement of
Net Position
Exhibit 2
($000s)

	December 31, 2013	2012	2011
Assets and Deferred Outflows of Resources			
Capital assets	$ 1,162,326	$ 1,141,008	$ 1,100,582
Current and other assets	1,010,009	1,071,424	1,020,280
Deferred outflows of resources	108,367	96,533	122,862
Total assets and deferred outflows of resources	2,280,702	2,308,965	2,243,724
Liabilities			
Non-current liabilities	1,726,625	2,067,983	1,989,536
Current liabilities	192,420	160,413	153,719
Deferred inflows of resources	310,381	12,017	12,017
Total liabilities and deferred inflows of resources	2,229,426	2,240,413	2,155,272
Net Position			
Net investment in capital assets	395,232	308,688	281,831
Restricted for debt service	234,173	225,350	144,787
Unrestricted (deficit)	(578,129)	(465,486)	(338,168)
Total Net Position	$ 51,276	$ 68,552	$ 88,450

The various components of net position may serve over time as a useful indicator of the Agency's financial condition. The assets and deferred outflows of resources of the Agency exceeded liabilities and deferred inflows of resources by $51,276,000, $68,552,000 and $88,450,000 at December 31, 2013, 2012 and 2011, respectively, representing a decrease of $17,276,000 and $19,898,000 in 2013 and 2012, respectively.

The first portion of net position of $395,232,000, $308,688,000 and $281,831,000 at December 31, 2013, 2012 and 2011, respectively, reflects the Agency's investments in capital assets (e.g. land, buildings, generation facilities, nuclear fuel and equipment), less any related debt still outstanding that was issued to acquire those items.

The Agency uses these capital assets to provide power to its Participants. Consequently, these assets are not available for future spending. Although the Agency's investments in capital assets are reported net of the outstanding related debt, the resources needed to repay that debt will be provided through rates and certain reserve funds since the capital assets cannot be used to liquidate the liabilities.

An additional portion of the Agency's net position of $234,173,000, $225,350,000 and $144,787,000 as of December 31, 2013, 2012 and 2011, respectively, represents resources that are restricted for the payment of debt service.

The remaining balance of $(578,129,000), $(465,486,000) and $(338,168,000) as of December 31, 2013, 2012 and 2011, respectively, is the deficit of unrestricted net position.

Condensed Statements of Revenue, Expenses, and Changes in Net Position
Exhibit 3
($000s)

	Years Ended December 31,		
	2013	2012	2011
Revenues:			
Sales of electricity and other operating revenue	$514,164	$471,495	$478,125
Nonoperating revenues and changes in fair value	(17,124)	18,540	48,906
Total Revenues	497,040	490,035	527,031
Expenses:			
Operating expenses	356,302	364,196	359,443
Interest on long-term debt	68,466	74,380	79,142
Other nonoperating expenses	89,548	71,357	75,173
Total Expenses	514,316	509,933	513,758
Change in Net Position	(17,276)	(19,898)	13,273
Net Position, Beginning of the year	68,552	88,450	75,177
Net Position, End of the year	$ 51,276	$ 68,552	$ 88,450

Financial Highlights

- The Agency implemented a 5.0% rate increase effective July 1, 2013 and 2012, respectively, in accordance with the Agency's Rate Plan.

Capital Assets and Debt Administration

Capital Assets

The Agency's investments in capital assets at December 31, 2013, 2012 and 2011 totaled $1,162,326,000, $1,141,009,000 and $1,100,583,000, respectively (net of accumulated amortization and depreciation). These assets include land, buildings, generation facilities, nuclear fuel and equipment.

Major capital asset transactions during 2013 and 2012 include the following:

- Construction work in progress increased $32,605,000 and $38,628,000 in 2013 and 2012, respectively, due to capital additions at the Catawba plant.
- Construction work in progress decreased and electric plant in service increased by $42,693,000 and $34,934,000 in 2013 and 2012, respectively, due to the transfer of completed projects.
- Electric Utility Plant and Non-Utility Property and Equipment were depreciated $30,870,000 and $29,516,000 for 2013 and 2012, respectively.
- Nuclear Fuel was amortized $36,594,000 and $30,066,000 for 2013 and 2012, respectively.
- In 2013 and 2012 there were retirements of Electric Utility Plant of $8,632,000 and $0 respectively. There were no write-offs of spent nuclear fuel in 2013 and 2012.

Capital Assets
Exhibit 4
($000s)

Electric Utility Plant, Net

	December 31, 2012	Additions	Transfers	Retirements	December 31, 2013
Depreciable Utility Plant					
Electric Utility Plant					
Electric plant in service	$ 1,808,565	$ 5,758	$ 41,670	$ (8,632)	$ 1,847,361
Nuclear fuel	182,234	50,419	(21,461)	-	211,192
Total Depreciable Utility Plant	1,990,799	56,177	20,209	(8,632)	2,058,553
Accumulated Depreciation and Amortization					
Electric plant in service	(828,607)	(30,767)	1,023	8,632	(849,719)
Nuclear fuel	(74,595)	(36,594)	21,461		(89,728)
Total Accumulated Depreciation and Amortization	(903,202)	(67,361)	22,484	8,632	(939,447)
Depreciable Utility Plant, Net	1,087,597	(11,184)	42,693	-	1,119,106
Land and Other Non-Depreciable Assets					
Land	19,768	-	-	-	19,768
Construction work in progress	32,310	32,605	(42,693)	-	22,222
Total Electric Utility Plant, Net	$ 1,139,675	$ 21,421	$ -	$ -	$ 1,161,096

	December 31, 2011	Additions	Transfers	Retirements	December 31, 2012
Depreciable Utility Plant					
Electric Utility Plant					
Electric plant in service	$ 1,765,969	$ 7,662	$ 34,934	$ -	$ 1,808,565
Nuclear fuel	184,432	53,717	(55,915)	-	182,234
Depreciable Utility Plant	1,950,401	61,379	(20,981)	-	1,990,799
Accumulated Depreciation and Amortization					
Electric plant in service	(799,214)	(29,393)	-	-	(828,607)
Nuclear fuel	(100,444)	(30,066)	55,915	-	(74,595)
Total Accumulated Depreciation and Amortization	(899,658)	(59,459)	55,915	-	(903,202)
Depreciable Utility Plant, Net	1,050,743	1,920	34,934	-	1,087,597
Land and Other Non-Depreciable Assets					
Land	19,768	-	-	-	19,768
Construction work in progress	28,616	38,628	(34,934)	-	32,310
Total Electric Utility Plant, Net	$ 1,099,127	$ 40,548	$ -	$ -	$ 1,139,675

Non-Utility Plant and Equipment, Net

	December 31, 2012	Additions	Transfers	Retirements	December 31, 2013
Non-Utility Property and Equipment					
Property and equipment	$ 4,953				$ 4,953
Accumulated depreciation	(4,330)	(103)			(4,433)
Total Depreciable Non-Utility Property and Equipment, Net	623	(103)	-	-	520
Land	710	-	-	-	710
Total Non-Utility Property and Equipment, Net	$ 1,333	$ (103)	$ -	$ -	$ 1,230

	December 31, 2011	Additions	Transfers	Retirements	December 31, 2012
Non-Utility Property and Equipment					
Property and equipment	$ 4,953	$ -	$ -	$ -	$ 4,953
Accumulated depreciation	(4,207)	(123)			(4,330)
Total Depreciable Non-Utility Property and Equipment, Net	746	(123)	-	-	623
Land	710	-	-	-	710
Total Non-Utility Property and Equipment, Net	$ 1,456	$ (123)	$ -	$ -	$ 1,333

Additional information on capital assets can be found in Note C beginning on page 20.

Outstanding Debt

The Agency's total debt outstanding at December 31, 2013, 2012 and 2011 was $1,433,090,000, $1,516,515,000 and $1,541,085,000, respectively, all of which are revenue bonds. Total debt decreased by $83,425,000 (5.50%) and $24,570,000 (1.59%) during 2013 and 2012, respectively. The decreases were due to principal payments made in accordance with debt service schedules, net of issuance of new debt.

In December 2012, the Agency issued $101,295,000 of Series 2012B Bonds and $41,185,000 of Series 2012C Bonds to finance the Agency's share of capital improvement projects at Catawba and $462,550,000 of Series 2012A Bonds to refund $542,245,000 of fixed rate bonds. The bonds pay interest of 2.0% to 5.0% and mature annually from 2014 to 2032.

The Agency's bond ratings stayed the same or improved over the two year period as follows:

- Standard and Poor's Corporation – Unchanged at A (stable).
- Moody's – Unchanged at A2 (stable).
- Fitch – Unchanged at A (stable).

Additional information regarding the Agency's long-term debt can be found in Note G beginning on page 28 of this report.

Economic Factors and Next Year's Budgets and Rates

Economic Factors

The following key economic factors played a role in the 2014 budget.

- Economic conditions in 2013 continued to improve, but load growth remained low for most NCMPA1 participants. Weather in 2013 remained close to expected seasonal values.
- Current and projected power market price levels remain low. Softness in the market is driven by low natural gas projections resulting from innovative drilling techniques being used in North America; and slow growth in demand for electricity. As a result, power market price projections remain low for the foreseeable future.

Budget Highlights for 2014

- Forecasts a 5.0% increase in wholesale rates effective July 1. This increase excludes the effect of the elimination of Gross Receipt Tax of 3.22%. The net effect results in an increase of 1.8%.
- The load forecast estimates energy and demand growth of 0.6% for the period.
- Collection through rates of $117,720,000 for debt principal due January 1, 2015.
- Anticipates scheduled refueling outages for Catawba 1 and McGuire 1 & 2.
- Projects that $71,883,000 will be spent on capital additions at the Catawba plant funded from bonds.

Requests for Information

This report is designed to provide an overview of the Agency's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Chief Financial Officer, North Carolina Municipal Power Agency Number 1, P.O. Box 29513, Raleigh, NC 27626-0513.

North Carolina Municipal Power Agency Number 1
Statements of Net Position
($000s)

	December 31, 2013	December 31, 2012
ASSETS		
Non-Current Assets		
Capital Assets (Note C):		
Electric Utility Plant, Net		
Electric plant in service	$ 1,867,129	$ 1,828,333
Construction work in progress	22,222	32,310
Nuclear fuel	211,192	182,234
Accumulated depreciation and amortization	(939,447)	(903,202)
Total Electric Utility Plant, Net	1,161,096	1,139,675
Non-Utility Property and Equipment, Net		
Property and Equipment	5,663	5,663
Accumulated depreciation	(4,433)	(4,330)
Total Non-Utility Property and Equipment, Net	1,230	1,333
Total Capital Assets	1,162,326	1,141,008
Restricted Assets		
Special Funds Invested (Note D):		
Construction fund	95,470	146,627
Bond fund	340,588	298,059
Reserve and contingency fund	19,054	18,921
Total Special Funds Invested	455,112	463,607
Trust for Decommissioning Costs (Notes D and E)	288,172	301,643
Total Restricted Assets	743,284	765,250
Total Non-Current Assets	1,905,610	1,906,258
Current Assets		
Funds Invested (Notes D):		
Revenue fund	22,036	26,274
Operating fund	68,210	60,042
Supplemental fund	80,252	104,441
Total Funds Invested	170,498	190,757
Participant accounts receivable	32,462	30,474
Operating accounts receivable	16,418	13,122
Plant materials and renewable certificate inventory	47,347	44,143
Total Current Assets	266,725	278,496
Total Assets	$ 2,172,335	$ 2,184,754

See accompanying notes to financial statements.

North Carolina Municipal Power Agency Number 1
Statements of Net Position
($000s)

	December 31, 2013		December 31, 2012	
DEFERRED OUTFLOWS OF RESOURCES				
Costs of advance refundings of debt	$	78,220	$	96,533
Unamortized debt issuance costs		5,755		6,458
Costs to be recovered (Note F)		24,392		21,220
Total Deferred Outlflows of Resources	$	108,367	$	124,211
LIABILITIES				
Non-Current Liabilities				
Long-Term Debt:				
Bonds (Note G)	$	1,317,580	$	1,433,090
Unamortized premium		91,952		112,960
Total Long-Term Debt, net		1,409,532		1,546,050
Asset Retirement Obligation (Note E)		317,093		317,954
Total Non-Current Liabilities		1,726,625		1,864,004
Current Liabilities				
Operating Liabilities:				
Accounts payable		17,924		27,297
Accrued taxes		24,845		24,572
Total Operating Liabilities		42,769		51,869
Special Funds Liabilities:				
Current maturities of bonds (Note G)		115,510		83,425
Accrued interest on bonds		34,141		25,119
Total Special Funds Liabilities		149,651		108,544
Total Current Liabilities		192,420		160,413
Total Liabilities	$	1,919,045	$	2,024,417
DEFERRED INFLOWS OF RESOURCES				
Collections to be expended (Note F)		310,381		215,996
Total Deferred Inflows of Resources	$	310,381	$	215,996
NET POSITION				
Net investment in capital assets	$	395,232	$	308,688
Restricted for debt service		234,173		225,350
Unrestricted (deficit)		(578,129)		(465,486)
Total Net Position	$	51,276	$	68,552

North Carolina Municipal Power Agency Number 1
Statement of Revenues and Expenses and Changes in Net Position
($000s)

	Years Ended December 31, 2013	2012
Operating Revenues:		
Sales to participants	$ 414,824	$ 395,048
Sales to utilities	97,874	76,313
Other revenues	1,466	134
Total Operating Revenues	514,164	471,495
Operating Expenses:		
Operation and maintenance	119,556	123,462
Fuel	44,220	37,318
Interconnection services:		
Purchased power	62,516	53,753
Transmission and distribution	14,078	13,100
Other	827	279
Total interconnection services	77,421	67,132
Administrative and general	47,450	52,666
Gross receipts and excise taxes	16,237	15,149
Property tax	21,409	21,552
Depreciation	30,870	29,516
Asset retirement oligation adjustment	(19,271)	
Amortization of asset retirement obligation	18,410	17,401
Total Operating Expenses	356,302	364,196
Operating Income	157,862	107,299
Nonoperating (Revenues) Expenses		
Investment income	(16,428)	(17,588)
Net (increase) decrease in fair value of investments	33,552	(952)
Interest expense	68,466	74,380
Amortization of debt refunding costs	18,313	21,793
Amortization of debt discount and premium costs	(19,978)	(8,602)
Net decrease in costs to be recovered (Note F)	(3,172)	41,774
Net increase in collections to be expended (Note F)	94,385	16,392
Total Nonoperating (Revenues) Expenses	175,138	127,197
Change in Net Position	(17,276)	(19,898)
Net Position, Beginning of Year	68,552	88,450
Net Position, End of Year	$ 51,276	$ 68,552

See accompanying notes to financial statements.

North Carolina Municipal Power Agency Number 1
Statements of Cash Flows
($000s)

	Years Ended December 31, 2013	2012
Cash Flows from Operating Activities:		
Receipts from sales of electricity	$ 506,987	$ 470,565
Receipts from other revenues	1,466	134
Payments of operating expenses	(294,994)	(257,443)
Net cash provided by operating activities	213,459	213,256
Cash Flows from Capital and Related Financing Activities:		
Bonds issued	-	605,030
Interest paid	(59,444)	(89,382)
Additions to electric utility plant and non-utility property and equipment	(95,795)	(106,502)
Bonds redeemed or retired	(83,425)	(629,600)
Debt (discount) premium net of issuance costs	(324)	78,431
Investment earnings receipts from construction fund	378	288
Net cash used for capital and related financing activities	(238,610)	(141,735)
Cash Flows from Investing Activities:		
Sales and maturities of investment securities	2,850,839	3,679,799
Purchases of investment securities	(2,834,198)	(3,760,996)
Investment earnings receipts	8,499	9,727
Net cash provided by (used in) investing activities	25,140	(71,470)
Net Increase (decrease) in Operating Cash	(11)	51
Operating Cash, Beginning of year	111	60
Operating Cash, End of year	$ 100	$ 111

	2013	2012
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	$ 157,862	$ 107,299
Adjustments:		
Depreciation	30,870	29,516
Amortization of nuclear fuel	43,603	36,561
Amortization of asset retirement obligation	(861)	17,401
Changes in assets and liabilities:		
(Increase) decrease in participant accounts receivable	(1,988)	(1,494)
(Increase) decrease in operating accounts receivable	(3,723)	699
(Increase) in plant materials and renewable certificate inventory	(3,204)	(2,352)
Decrease in working fund		-
Increase (decrease) in accounts payable	(9,373)	24,696
Increase in accrued taxes	273	930
Total Adjustments	55,597	105,957
Net Cash Provided by Operating Activities	$ 213,459	$ 213,256

See accompanying notes to financial statements.

A. General Matters

North Carolina Municipal Power Agency Number 1 (Agency) is a joint agency organized and existing pursuant to Chapter 159B of the General Statutes of North Carolina to enable municipalities owning electric distribution systems, through the organization of the Agency, to finance, construct, own, operate and maintain electric generation and transmission facilities. The Agency is comprised of 19 municipal electric systems (Participants) with interests ranging from 0.0869% to 18.96%, which receive power from the Agency.

<u>The Project</u>

The project consists of the Agency's undivided ownership interest in 75% of Unit 2 of the Catawba Nuclear Station and in 37.5% of certain support facilities. Catawba Unit 2 has a maximum net dependable capability (MNDC) of 1,145 MW with the Agency's ownership share being 858.75 MW.

In conjunction with the purchase of its ownership interest, the Agency entered into several agreements with Duke Energy Corporation (Duke) which govern the purchase, ownership, construction, operation and maintenance of the project.

- The Purchase, Construction and Ownership Agreement provides, among other things, for the Agency to purchase its ownership share of the project. However, by virtue of various exchange provisions contained in the Interconnection Agreement and the Operation and Fuel Agreement, the Agency (1) bears the costs of acquisition, construction, operation and maintenance of 37.5% of both Unit 1 and Unit 2, and (2) has the same proportionate right to the output of and bears the risks associated with the lack of operation of such units.

- The Operation and Fuel Agreement provides for Duke to operate, maintain and fuel the station; to make renewals, replacements and capital additions as approved by the Agency; and for the ultimate decommissioning of the station at the end of its useful life.

- The Interconnection Agreement provides for the interconnection of the Project with the Duke system and for the exchange of power between Unit 1 and Unit 2 of Catawba and between the Catawba units and Duke's McGuire Nuclear Station (Reliability Exchanges).

Pursuant to the reliability exchanges, project output is provided in essentially equal amounts from Catawba Unit 2, Catawba Unit 1, McGuire Unit 1 and McGuire Unit 2, all in operation on the Duke system and all of similar size and capacity. The reliability exchanges are intended to make more reliable the supply of capacity and energy to the Agency in the amount to which the Agency is entitled pursuant to its ownership interest in Catawba Unit 2 and to mitigate potential adverse economic effects on the Agency and the Participants from unscheduled outages of Catawba Unit 2. Correspondingly, the Agency bears risks resulting from unscheduled outages of any Catawba or McGuire Unit.

Under the terms of the Operating and Fuel Agreement, The Agency paid DEP cash amounts of $257,811,000 and $245,420,000 in 2013 and 2012, respectively.

A. General Matters (continued)

The Agency entered into two power sales agreements with each of its Participants for supplying the total electric power requirements of the Participants in excess of Southeastern Power Administration (SEPA) allocations. With project power, together with supplemental purchases of power, the Agency provides the total electric power requirements of its Participants, exclusive of power allotments from SEPA. Under the Project Power Sales Agreements, the Agency sells to the Participants their respective shares of project output. The revenues received relative to the project are pledged as security for bonds issued under the Resolution, after payment of project operating expenses. Each Participant is obligated to pay its share of operating costs and debt service for the project. Under the Supplemental Power Sales Agreements, the Agency supplies each Participant the additional power it requires in excess of that provided by the project and from SEPA.

To meet its supplemental power requirements, the Agency entered into several contractual arrangements to assure a reliable and affordable source of supplemental power and energy. The contracts are as follows:

- Agreement with Southern Power Company for the purchase of 50 MW of capacity and the associated energy as scheduled by the Agency through 2015.
- Agreement with Duke for the purchase of 50 MW of energy as scheduled by the Agency, and for the sale by the Agency of up to 150 MWh per hour of energy through 2013, and a separate similar agreement for 2014.
- Agreement with Southern Power Company for the purchase of 100 MW of capacity and the associated energy as scheduled by the Agency for the period 2011 through 2015, and increasing to 150 MW for the period 2016 through 2030.
- Agreement with Southern Power Company for the purchase of approximately 185 MW of capacity and associated energy as scheduled by the Agency for the period 2012 through 2031.
- Agreement with The Energy Authority (TEA) for TEA to provide hourly scheduling and dispatching services for the period 2011 through 2013 and a separate similar agreement for the period 2014 through 2016.

In addition to the agreements with third parties mentioned above, the Agency has developed or assisted the Participants and/or certain of their customers in developing additional generating facilities. The Agency had 65 MW of Distributed Generation which the Agency constructed to be called upon as needed. In addition, the Agency also has under remote control operation 90 MW of city-owned and customer-owned generation and has been successful in placing an additional 17 MW of generation owned by cities and retail customers under contract for local operation under the Agency’s power supply program. The Agency also has 24 MW of gas turbine generation that became commercially operable in 2010.

Agency administers a load management program by which customers may reduce load during peak billing time periods. The operation of this program results in a total peak reduction of approximately 58 MW each month.

Agency personnel and TEA, pursuant to the agreement described above, provided all scheduling and dispatching services for the Agency’s various power supply resources to coordinate the Agency’s utilization of Project Output and other power supply arrangements and the Participants use of their SEPA power allotments.

The Agency's acquisition of its ownership interest is being financed by electric revenue bonds pursuant to Resolution No. R-16-78, as amended, (Resolution) of the Board of Commissioners of the Agency. The Resolution established special funds to hold proceeds from debt issuance, such proceeds to be used for costs of acquisition and construction of the project, for working capital and to establish certain reserves. The Resolution also established special funds in which project revenues are deposited and from which project operating costs, debt service and other specified payments relating to the project are made.

A. General Matters (continued)

ElectriCities of North Carolina, Inc.

ElectriCities of North Carolina, Inc. (ElectriCities), organized as a joint municipal assistance agency under the General Statutes of North Carolina, is a public body and body corporate and politic created for the purpose of providing aid and assistance to municipalities in connection with their electric systems and to joint agencies, such as the Agency.

The Agency has entered into a management agreement with ElectriCities. Under the current management agreement, ElectriCities is required to provide, at cost, all personnel and personnel services necessary for the Agency to conduct its business in an economic and efficient manner. This agreement continues through December 31, 2013, and is automatically renewed for successive three-year periods unless terminated by one year's notice by either party prior to the end of the contract term.

For the years ended December 31, 2013 and 2012, the Agency paid ElectriCities $13,295,000 and $14,187,000, respectively.

B. Significant Accounting Policies

Basis of Accounting

The accounts of the Agency are maintained on the accrual basis, in accordance with the Uniform System of Accounts of the Federal Energy Regulatory Commission, and are in conformity with accounting principles generally accepted in the United States (GAAP). The Agency has adopted the principles promulgated by the Governmental Accounting Standards Board (GASB) and U.S. GAAP. U.S. GAAP allows utilities to capitalize or defer certain costs and/or revenues based upon the Agency's ongoing assessment that it is probable that such items will be recovered through future revenues.

The Agency reports in accordance with GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments." The statement requires certain information be included in the financial statements and specifies how that information should be presented.

The financial statements are prepared using the economic resources measurement focus. Operating revenues are defined as revenues received from the sale of electricity and associated services. Revenues from capital and related financing activities and investment activities are defined as non-operating revenues. Restricted net position represents constraints on resources that are imposed by Resolution and may be utilized only for the purposes established by the Resolution. Unrestricted equity may be utilized for any purpose approved by the Board through the budget process. When both restricted and unrestricted equity might be used to meet an obligation, the Agency first uses the restricted net position.

Electric Plant in Service

All expenses associated with the development and construction of the Agency's ownership interest in the Catawba station, including interest expense net of investment income on funds not yet expended and the asset retirement obligation adjustment arising from implementing U.S. GAAP (discussed under Decommissioning Costs on page 18) have been recorded at original cost and are being depreciated on a straight-line basis over the average composite life of each unit's assets. At December 31, 2013, the remaining life for Catawba Units 1 and 2 was 30 years.

B. Significant Accounting Policies (continued)

The Agency has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries" which requires the Agency to report the effect of capital asset impairments in the financial statements when they occur rather than in the ongoing depreciation expense for the capital asset. Any insurance recovery associated with the impairment will be netted with the impairment loss. During 2013 and 2012, no such impairment occurred.

Construction Work in Progress

All expenditures related to capital additions at Catawba and expenditures related to distributive generation units that have not been declared commercial are capitalized as construction work in progress until such time as they are completed and transferred to Electric Plant in Service. Interest is not capitalized on capital additions. Depreciation expense is recognized on these assets after they are transferred to Electric Plant in Service.

Nuclear Fuel

Nuclear Fuel, net of amortization, includes all expenditures related to the purchase and construction of the Agency's undivided ownership interests in nuclear fuel cores are capitalized until such time as the cores are placed in the reactor. Interest is not capitalized on fuel cores. Once placed in the reactor, the cores are amortized to fuel expense utilizing the units of production method. Amounts are removed from the books upon disposal of the spent nuclear fuel. Nuclear fuel expense includes a provision for estimated spent nuclear fuel disposal costs which is being collected currently from members. Amortization of nuclear fuel costs includes estimated disposal costs of $7,009,000 and $6,533,000 for the years ended December 31, 2013 and 2012, respectively.

Under provisions of the Nuclear Waste Policy Act of 1982, Duke, on behalf of all co-owners of the Catawba station, has entered into contracts with the DOE for the disposal of spent nuclear fuel. The DOE failed to begin accepting the spent nuclear fuel in 1998, the date provided by the Nuclear Waste Policy Act and Duke's contract with the DOE. As a result of a partial breach of contract claim filed against the DOE by Duke for damages arising out of the DOE's failure to begin accepting the spent nuclear fuel, Duke and the U.S. Department of Justice signed a settlement agreement which provides for an initial payment to Duke Energy for certain storage costs incurred through July 2005, with additional amounts reimbursed annually for future storage costs. The Agency's share of the settlement for 2013 and 2012 was $0 and $1,457,067 respectively.

While it is uncertain when the DOE will begin accepting spent fuel, Duke has plans in place to provide adequate storage capacity until such time as DOE begins receiving spent fuel.

Non-Utility Property and Equipment

The Agency purchased computer equipment for its load management and telemetry programs. This equipment is being depreciated over the estimated useful life of the equipment. Also included are the land and administrative office building jointly owned with North Carolina Eastern Municipal Power Agency and used by both agencies and ElectriCities. The administrative office building is being depreciated over 37 1/2 years on a straight-line basis.

B. Significant Accounting Policies (continued)

Pollution Remediation Obligations

The Agency reports in accordance with GASB Statement No. 49 "Accounting and Financial Reporting for Pollution Remediation Obligations" (GASB No. 49) which addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the document excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as nuclear power plant decommissioning.

Accounts Receivable

Accounts receivable consist of trade accounts receivable associated with the sale of electricity and are stated at cost. The Agency primarily sells to the Participants in the project and high quality utilities and accordingly, management does not believe an allowance for doubtful accounts is required.

Premiums/Discounts on Bonds

Premiums (net of discounts) on bonds, shown net of accumulated accretion/amortization of $10,816,000 and $20,709,000, at December 31, 2013 and 2012 respectively, are amortized over the terms of the related bonds in a manner that yields a constant rate of interest.

Decommissioning

The Agency reports in accordance with U.S. GAAP, which requires the Agency to record the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development and/or normal use of assets and record a corresponding asset that will be depreciated over the life of the asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation will be adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. Any such adjustments for changes in the estimated future cash flows will also be capitalized and amortized over the remaining life of the asset.

Investments

The Agency reports according to the provisions of GASB Statement No. 31, “Accounting and Financial Reporting for Certain Investments and for External Investment Pools,” which requires investments to be reported at fair value. In addition, the Agency reports according to the provisions of GASB Statement No. 40 “Deposit and Investment Risk Disclosures” which addresses risks such as credit risk and interest rate risk.

Taxes

Income of the Agency is excludable from federal income tax under Section 115 of the Internal Revenue Code. Chapter 159B of the General Statutes of North Carolina exempts the Agency from property and franchise or other privilege taxes. In lieu of North Carolina property taxes, the Agency pays an amount that would otherwise be assessed on the non-utility property and equipment and North Carolina generation of the Agency. In lieu of a franchise or privilege tax, the Agency pays to North Carolina an amount equal to 3.22% of the gross receipts from sales of electricity to Participants. The Catawba plant is located in South Carolina and subject to South Carolina property tax. An electric power excise tax equal to 0.05% (5/10 mill) for each kilowatt-hour of electric power generated and sold for resale within South Carolina is also paid.

B. Significant Accounting Policies (continued)

Statements of Cash Flows

For purposes of the statements of cash flows, operating cash consists of unrestricted cash of $78,000 and $111,000 at December 31, 2013 and 2012 and is included on the balance sheet in the line item "Current Assets: Funds Invested". Restricted cash of $ 22,000 and $11,000 at December 31, 2013 and 2012, respectively, included on the balance sheet in the line item “Restricted Assets: Special Funds Invested” is also included on the statements of cash flows. Accounts payable includes special fund liabilities of $9,393,000 and $14,798,000 at December 31, 2013 and 2012, respectively. The cash flows associated with the decrease (increase) in accounts payable of $9,373,000 and ($24,696,000) in 2013 and 2012, respectively, includes the impact of the special fund liabilities noted above.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

The Agency implemented GASB No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position”, and GASB No. 65, “Items Previously Reported as Assets and Liabilities” as required in 2012. These pronouncements require that certain assets and liabilities be classified as deferred outflows of resources and deferred inflows of resources. As a result, the following reclassifications have been made to 2012 regarding deferred outflows of resources and deferred inflows of resources:

Statement of Net Position	2012 As Originally Reported	2012 Reclassified
Deferred Outflows of Resources		
Unamortized debt issuance costs	$ -	$ 6,458
Costs to be recovered		21,220
	$ -	$ 27,678
Non Current Assets		
Costs to be Recovered	$ 27,678	$ -
Deferred Inflows of Resources		
Collections to be Expended	$ -	$ 203,979
Non Current Liaililities		
Collections to be Expended	$ 203,979	$ -

B. Significant Accounting Policies (continued)

GASB No. 65 additionally provides discussion on the accounting treatment of debt issuance costs. This GASB established the requirement that debt issuance costs are to be expensed in the current period as compared to amortization of the costs over the life of the related debt. Per GASB No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements", entities that are rate regulated are allowed to amortize these costs over time if future recovery is probable and that future recovery is based on prior costs and not similar future costs. The Agency elects to follow this pronouncement as its current rate methodology provides recovery of debt issuance costs.

Recently Adopted GASB Standards

For the year-ended December 31, 2012 the Agency adopted GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30m 1989 FASB and AICPA Pronouncements" effective for periods beginning after December 15, 2011, GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" effective for periods beginning after December 15, 2011, and early adopted GASB Statement No. 65 "Items Previously Reported as Assets and Liabilities" effective for periods beginning after December 15, 2012.

For the year-ended December 31, 2013 the Agency adopted GASB Statement No. 61, "The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34" effective for periods beginning after June 15, 2012 and GASB Statement No. 66, "Technical Corrections -2012- An Amendment of GASB Statements No. 10 and No. 62" effective for periods beginning after December 15, 2012.

Future GASB Standards

In June 2012, GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment to GASB Statement No. 27". This Statement improves accounting and financial reporting for state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. This Statement is effective for periods beginning after June 15, 2014, and the Agency is evaluating the potential impact on the Agency's financial position, overall cash flow or balances or results of operations.

In June 2012, GASB issued Statement No. 67, "Financial Reporting for Pension Plans – an amendment to GASB Statement No. 25". This Statement improves accounting and financial reporting for state and local governments for pensions. It replaces the requirements of Statements No. 25 "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contributed Plans", and No. 50 "Pension Disclosures" as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. This Statement is effective for periods beginning after June 15, 2013, and is not expected to have a material impact on the Agency's financial position, overall cash flow or balances or results of operations.

In January 2013, GASB issued Statement No. 69, "Government Combinations and Disposals of Government Operations". This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement is effective for periods beginning after December 15, 2013 and is not expected to have a material impact on the Agency's financial position, over cash flow or balances or results of operations

In April 2013, GASB issued Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees". This Statement requires a government that extends a nonexchange financial guarantee to

B. Significant Accounting Policies (continued)

recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This Statement is effective for reporting periods beginning after June 15, 2013 and is not expected to have a material impact on the Agency's financial position, over cash flow or balances or results of operations

In November 2013, GASB issued Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date: An Amendment of GASB Statement No. 68". This Statement addresses an issue regarding application of the transition provisions of Statement No. 68 "Accounting and Financial Reporting for Pensions". The provisions of this Statement are required to applied simultaneously with the provisions of Statement No. 68 and not expected to have a material impact on the Agency's financial position, over cash flow or balances or results of operations

C. Capital Assets

Electric Utility Plant, Net

Changes in components of electric utility plant, net during 2013 and 2012 are as follows (in thousands of dollars):

	December 31, 2012	Additions	Transfers	Retirements	December 31, 2013
Depreciable Utility Plant					
Electric Utility Plant					
Electric plant in service	$ 1,808,565	$ 5,758	$ 41,670	$ (8,632)	$ 1,847,361
Nuclear fuel	182,234	50,419	(21,461)	-	211,192
Total Depreciable Utility Plant	1,990,799	56,177	20,209	(8,632)	2,058,553
Accumulated Depreciation and Amortization					
Electric plant in service	(828,607)	(30,767)	1,023	8,632	(849,719)
Nuclear fuel	(74,595)	(36,594)	21,461		(89,728)
Total Accumulated Depreciation and Amortization	(903,202)	(67,361)	22,484	8,632	(939,447)
Depreciable Utility Plant, Net	1,087,597	(11,184)	42,693	-	1,119,106
Land and Other Non-Depreciable Assets					
Land	19,768	-	-	-	19,768
Construction work in progress	32,310	32,605	(42,693)	-	22,222
Total Electric Utility Plant, Net	$ 1,139,675	$ 21,421	$ -	$ -	$ 1,161,096

C. Capital Assets (continued)

	December 31, 2011	Additions	Transfers	Retirements	December 31, 2012
Depreciable Utility Plant					
Electric Utility Plant					
Electric plant in service	$ 1,765,969	$ 7,662	$ 34,934	$ -	$ 1,808,565
Nuclear fuel	184,432	53,717	(55,915)	-	182,234
Depreciable Utility Plant	1,950,401	61,379	(20,981)	-	1,990,799
Accumulated Depreciation and Amortization					
Electric plant in service	(799,214)	(29,393)	-	-	(828,607)
Nuclear fuel	(100,444)	(30,066)	55,915	-	(74,595)
Total Accumulated Depreciation and Amortization	(899,658)	(59,459)	55,915	-	(903,202)
Depreciable Utility Plant, Net	1,050,743	1,920	34,934	-	1,087,597
Land and Other Non-Depreciable Assets					
Land	19,768	-	-	-	19,768
Construction work in progress	28,616	38,628	(34,934)	-	32,310
Total Electric Utility Plant, Net	$ 1,099,127	$ 40,548	$ -	$ -	$ 1,139,675

The Agency has commitments to Duke in connection with capital additions for the station. Current estimates indicate the Agency's portion of these costs for 2015 and 2014 will be approximately $160,824,000.

<u>Non-Utility Property and Equipment</u>

Changes in components of non-utility property and equipment, net during 2013 and 2012 are as follows (in thousands of dollars):

	December 31, 2012	Additions	Transfers	Retirements	December 31, 2013
Non-Utility Property and Equipment					
Property and equipment	$ 4,953				$ 4,953
Accumulated depreciation	(4,330)	(103)			(4,433)
Total Depreciable Non-Utility Property and Equipment, Net	623	(103)	-	-	520
Land	710	-	-	-	710
Total Non-Utility Property and Equipment, Net	$ 1,333	$ (103)	$ -	$ -	$ 1,230

C. Capital Assets (continued)

	December 31, 2011	Additions	Transfers	Retirements	December 31, 2012
Non-Utility Property and Equipment					
Property and equipment	$ 4,953	$ -	$ -	$ -	$ 4,953
Accumulated depreciation	(4,207)	(123)			(4,330)
Total Depreciable Non-Utility Property and Equipment, Net	746	(123)	-	-	623
Land	710	-	-	-	710
Total Non-Utility Property and Equipment, Net	$ 1,456	$ (123)	$ -	$ -	$ 1,333

D. Investments

The Agency's investments are categorized to give an indication of the level of risk assumed by the Agency at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Agency or its agent in the Agency's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent in the Agency's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its safekeeping department or agent, but not in the Agency's name. All investments except repurchase agreements are considered Category 1. Repurchase agreements are considered Category 3. In accordance with the provisions of the Resolution, the collateral under the repurchase agreements is segregated and held by the trustee for the Agency.

The Agency's investments are detailed in the following schedule (in thousands of dollars):

D. Investments (continued)

	December 31,			
	2013		2012	
	Cost Basis	Fair Value	Cost Basis	Fair Value
Repurchase agreements	$ 54,375	$ 54,375	$ 180,083	$ 180,083
U.S. government agencies	385,370	388,768	292,582	304,374
Money Market	167,641	167,642	146,773	146,773
Collateralized mortgage obligations	11,838	13,405	19,309	21,804
Sub-total funds invested	619,224	624,190	638,747	653,034
Decommissioning Trust securities	235,151	287,649	228,054	301,065
Cash				
Operating cash	100	100	111	111
Restricted cash	-	-	11	11
Accrued interest	1,843	1,843	1,786	1,786
Total funds invested	$ 856,318	$ 913,782	$ 868,709	$ 956,007
Consisting of:				
Special funds invested		$ 455,112		$ 463,607
Decommissioning Trust		288,172		301,643
Operating assets		170,498		190,757
Total funds invested		$ 913,782		$ 956,007

Interest Rate Risk

The Bond Resolution authorizes the Agency to invest in obligations with maturity dates, or with redemption features, on or before the respective dates when the money in such accounts will be required for the purposes intended. The Agency does not have additional formal investment policies that limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The Agency's maturities of investments are detailed in the following schedule (in thousands of dollars.):

	December 31, 2013				
	Fair	Investment Maturity (In Years)			
	Value	Less Than 1	1-5	6-10	More than 10
Repurchase agreements	$ 54,375	$ 54,375	$ -	$ -	$ -
U.S. government agencies	388,768	78,353	217,598	92,817	-
Money Market	167,642	167,642	-	-	-
Collateralized mortgage obligations	13,405	-	7,241	6,164	-
Sub-total	624,190	300,370	224,839	98,981	-
Decommissioning Trust securities	287,649	24,467	43,878	196,507	22,797
Total	$ 911,839	$ 324,837	$ 268,717	$ 295,488	$ 22,797

D. Investments (continued)

	December 31, 2012				
	Fair	Investment Maturity (In Years)			
	Value	Less Than 1	1-5	6-10	More than 10
Repurchase agreements	$ 180,083	$ 180,083	$ -	$ -	$ -
U.S. government agencies	304,374	39,682	204,962	59,730	
Money Market	146,773	146,773			
Collateralized mortgage obligations	21,804			21,804	
Sub-total	653,034	366,538	204,962	81,534	-
Decommissioning Trust securities	301,065	19,456	73,113	136,061	72,435
Total	$ 954,099	$ 385,994	$ 278,075	$ 217,595	$ 72,435

The Agency's impaired investments are detailed in the following schedule (in thousands of dollars):

	December 31, 2013					
	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government agencies	$ 59,090	$ 1,164	$ 64,298	$ 989	$ 123,388	$ 2,153
Collateralized mortgage obligations	9,505	524	34,946	113	44,451	637
Sub-total	68,595	1,688	99,244	1,102	167,839	2,790
Decommissioning Trust securities	25,682	1,388	27,233	1,489	52,915	2,877
Total	$ 94,277	$ 3,076	$126,477	$ 2,591	$220,754	$ 5,667

	December 31, 2012					
	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government agencies	$ 11,977	$ 23	$ -	$ -	$ 11,977	$ 23
Collateralized mortgage obligations	20,008	43			20,008	43
Sub-total	31,985	66	-	-	31,985	66
Decommissioning Trust securities	18,572	28			18,572	28
Total	$ 50,557	$ 94	$ -	$ -	$ 50,557	$ 94

D. Investments (continued)

Credit Risk

The Resolution authorizes the Agency to invest in 1) direct obligations of, or obligations of which the principal and interest are unconditionally guaranteed by the United States (U.S.), 2) obligations of any Agency of the U.S. or corporation wholly owned by the U.S., 3) direct and general obligations of the State of North Carolina or any political subdivision thereof whose securities are rated "A" or better, 4) repurchase agreements with a member of the Federal Reserve System which are collateralized by previously described obligations and 5) bank time deposits evidenced by certificates of deposit and bankers' acceptances. The Agency has no formal investment policy that would further limit its investment choices.

As of December 31, 2013 and 2012 the Agency’s investments in repurchase agreements are all collateralized by US Treasury or US Government securities. The Agency’s investments in US Government Agencies, US Treasury Strips, US Government Agency Strips and Collateralized Mortgage Obligations are rated Aaa by Moody’s Investor Service and AA+ by Standard and Poor’s Corporation. The Agency’s investments in Money Market Instruments are rated AAAm by Standard and Poor’s Corporation.

The Agency places no limit on the amount the Agency may invest with any one issuer. The Agency’s investments by issuer are detailed in the following schedule (in thousands of dollars):

	December 31, 2013		December 31, 2012	
Issuer	Fair Value	Percentage	Fair Value	Percentage
Federal Home Loan Mortgage Corporation	$ 138,818	15.2%	$ 143,589	15.0%
Federal National Mortgage Association	139,903	15.3%	102,483	10.7%
Federal Home Loan Bank	167,497	18.4%	168,112	17.6%
Federal Farm Credit Bank	93,843	10.3%	48,085	5.0%
Resolution Funding Corporation	8,518	0.9%	13,204	1.4%
Repurchase Agreements				
Morgan Stanley	54,375	6.0%	101,716	10.7%
Bank of America	-	0.0%	78,367	8.2%
Money Market Fund - NC Capital Management Trust	168,651	18.5%	109,173	11.4%
US Bank Sweep Account	-	0.0%	38,425	4.0%
US Treasury Department	140,234	15.4%	150,945	15.8%
Total	$ 911,839	100.0%	$ 954,099	100.0%

Bank time deposits may only be in banks with capital stock, surplus and undivided profits of $20,000,000 or $50,000,000 for North Carolina banks and out-of-state banks, respectively, and the Agency's investments deposited in such banks cannot exceed 50% and 25%, respectively, of such banks' capital stock, surplus and undivided profits.

The Resolution permits the Agency to establish official depositories with any bank or trust company qualified under the laws of North Carolina to receive deposits of public moneys and having capital stock, surplus and undivided profits aggregating in excess of $20,000,000.

D. Investments (continued)

All depositories must collateralize public deposits in excess of federal depository insurance coverage. The Agency's depositories use the pooling method, a single financial institution collateral pool. Under the pooling method, a depository establishes a single escrow account on behalf of all governmental agencies. Collateral is maintained with an eligible escrow agent in the name of the State Treasurer of North Carolina based on an approved averaging method for demand deposits and the actual current balance for time deposits less the applicable federal depository insurance for each depositor. The financial institutions using the pooling method are responsible for assuring sufficient collateralization of these excess deposits. Because of the inability to measure the exact amount of collateral pledged for the Agency under the pooling method, the potential exists for under-collateralization. However, the State Treasurer enforces strict standards for each pooling method depository, which minimizes any risk of under-collateralization. At December 31, 2013 and 2012, the Agency had $100,000 and $122,000, respectively, covered by federal depository insurance.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Agency does not have a formal policy for custodial credit risk. All deposits are currently held in the name of North Carolina Municipal Power Agency Number 1.

E. Decommissioning Costs

As a co-licensee of Catawba Unit 2 and in accordance with the terms of the Catawba reliability exchange, the Agency has furnished certification of its financial capability to fund its share of the costs of nuclear decommissioning of the Catawba Station to the U.S. Nuclear Regulatory Commission (NRC) as required by its regulations. To satisfy the NRC's financial capability regulations, the Agency established an external trust fund (Decommissioning Trust) pursuant to a trust agreement with a bank. The Agency's certification requires that the Agency make annual deposits to the Decommissioning Trust which, together with the investment earnings, amounts previously on deposit in the trust and certain reserve assets, are anticipated to result in sufficient funds being held in the Decommissioning Trust at the expiration of the current operating licenses for the Catawba Units (2043) to meet the Agency's share of decommissioning.

The Decommissioning Trust is irrevocable and funds may be withdrawn from the trust solely for the purpose of paying the Agency's share of the costs of nuclear decommissioning. In accordance with the NRC regulations, the Decommissioning Trust is segregated from Agency assets and outside the Agency's administrative control. The Agency is deemed to have incurred and paid decommissioning costs as deposits are made to the Decommissioning Trust. In addition to the Decommissioning Trust, certain reserve assets are anticipated to be available for transfer to the Decommissioning Trust to satisfy the Agency’s total decommissioning liability.

Estimates of the future costs of decommissioning the units are based on the 2013 site-specific study that was conducted on behalf of Duke utilizing the unit factor method, which follows the approach as outlined in the DOE Decommissioning handbook. The Agency’s portion of decommissioning costs, including the cost of decommissioning plant components not subject to radioactive contamination, is $529,084,000, stated in 2013 dollars.

E. Decommissioning Costs (continued)

The Agency has identified certain asset retirement obligations, which are primarily associated with the decommissioning of NCMPA1's ownership interest in Catawba Unit 2. Changes in components of the asset retirement obligation during 2013 and 2012 are as follows (in thousands of dollars):

	Years Ended December 31,	
	2013	2012
Balance, beginning of year	$317,954	$300,553
Liabilities incurred during the year	-	-
Liabilities settled during the year	-	-
Accretion expense	18,410	17,401
Revisions in estimated cash flows	(19,271)	-
Balance, end of year	$317,093	$317,954

F. Costs To Be Recovered and Collections To Be Expended

Rates for power billings to Participants are designed to cover the Agency's operating expenses, debt requirements and reserves as specified by the Resolution and power sales agreements. Straight-line depreciation and amortization are not considered in the cost of service calculation used to design rates. In addition, certain earnings on funds established in accordance with the Resolution are restricted to those funds and are not available for current operations.

The differences between debt principal maturities (adjusted for the effects of premiums, discounts and amortization of deferred gains and losses) and straight-line depreciation and in interest income recognition are recognized as other recoverable/collectible costs. When total recoverable/collectible items exceed principal debt service, costs to be recovered increase. When principal debt service exceeds total recoverable/collectible items, costs to be recovered decrease.

Funds collected through rates for reserve accounts and restricted investment income are recognized as collections to be expended, thus increasing total collections to be expended. When these funds are used to meet current expenses, total collections to be expended decrease.

The Agency's present charges to the Participants are sufficient to recover all of the Agency's current annual costs of the Participants' bulk power needs. Each Participant is required under the power sales agreements to set its rates for its customers at levels sufficient to pay all its costs of its electric utility system, including the Agency's charges for bulk power supply. All Participants have done so.

All rates must be approved by the Board of Commissioners. Rates are designed on an annual basis. If they are determined to be inadequate to cover the Agency's current annual costs, rates may be revised.

F. Costs To Be Recovered and Collections To Be Expended (continued)

Other costs and collections to be recovered include the following (in thousands of dollars):

	Years Ended December 31,		Inception to December 31,	
	2013	2012	2013	2012
Costs to be recovered				
Net deferred interest	$ -	$ -	$ 155,316	$ 155,316
Amortization of debt discount and premium costs	(19,978)	(8,602)	83,602	103,580
Depreciation and amortization	49,280	46,918	1,212,431	1,163,151
Amortization of debt refunding costs	18,313	21,793	549,095	530,782
Deferred Fuel	(16,373)	(17,262)	(12,543)	3,830
Participant billing offsets	(28,070)	(84,621)	(1,987,258)	(1,959,188)
Other unrecovered costs	-	-	23,749	23,749
Total Costs To Be Recovered	$ 3,172	$ (41,774)	$ 24,392	$ 21,220

	Years Ended December 31,		Inception to December 31,	
	2013	2012	2013	2012
Collections to be expended				
Net special funds (withdrawals)/deposits	$6,239	$ 2,565	$ 22,179	$15,940
Restricted investment income	9,910	10,131	281,373	271,463
Rate stabilization funds used for other than operations	88,845	-	(53,393)	(142,238)
Special Funds Valuations	471	391	(18,165)	(18,636)
Net decrease (increase) in fair value of investments and derivative financial instruments	(33,552)	952	17,116	50,668
Asset Retirement Obligation Provision	19,271	-	31,288	12,017
Other collections to be expended	3,201	2,353	29,983	26,782
Total Collections To Be Expended	$ 94,385	$ 16,392	$ 310,381	$ 215,996

G. Bonds

The Agency has been authorized to issue Catawba Electric Revenue Bonds (bonds) in accordance with the terms, conditions, and limitations of the Resolution. The total to be issued is to be sufficient to pay the costs of acquisition and construction of the project, as defined, and/or for other purposes set forth in the Resolution. Future refunding of bonds may result in the issuance of additional bonds.

G. Bonds (continued)

The following shows bond activity during 2013 and 2012 (in thousands of dollars):

	2013	2012
Bonds Outstanding - Beginning of year	$1,516,515	$1,541,085
Principal payments January 1	(83,425)	(87,355)
Bonds Issued		
Series 2012 A	-	462,550
Series 2012 B	-	101,295
Series 2012 C	-	41,185
Bonds Refunded		
Series 2003A	-	(542,245)
Bonds Outstanding - End of year	$1,433,090	$1,516,515

The various issues comprising the outstanding debt are as follows (in thousands of dollars):

	December 31, 2013	December 31, 2012
Series 1998A		
5.5% maturing annually from 2014 to 2015	$ 29,550	$ 29,550
Series 2003A		
5.5% maturing annually from 2011 to 2014	-	55,745
4.125% maturing in 2014	-	-
5.25% maturing annually from 2014 to 2020	-	-
5% maturing in 2016	-	-
4.5% maturing in 2020	-	-
Total Series 2003A	-	55,745
Series 2008A		
5.25% maturing annually from 2013 to 2020	321,275	341,575
Series 2008B		
5.92% maturing in 2013	-	7,380

G. Bonds (continued)

	December 31, 2013	December 31, 2012
Series 2008C		
4.0% to 5.25% maturing annually from 2010 to 2020	$ 48,740	$ 48,740
Series 2009A		
4.125% to 5% maturing annually from 2021 to 2026	104,985	104,985
4.75% maturing in 2030 with annual sinking fund requirements beginning in 2027	16,750	16,750
5% maturing in 2030 with annual sinking fund requirements beginning in 2027	77,260	77,260
Total 2009A	198,995	198,995
Series 2009B (Federally Taxable)		
5.482% maturing in 2021	9,200	9,200
Series 2009C		
5% maturing in 2021	8,000	8,000
Series 2009D (Federally Taxable Build America Bonds)		
6.184% maturing in 2032 with annual sinking fund requirements beginning in 2030	68,650	68,650
Series 2010A		
3.00% to 5.00% maturing annually from 2014 to 2021	74,765	74,765
Series 2010B		
5.00% maturing annually from 2020 to 2021	68,885	68,885
Series 2012A		
2.00% to 5% maturing annually from 2014 to 2020	462,550	462,550
Series 2012B		
3.00% to 5% maturing annually from 2021 to 2032	101,295	101,295
Series 2012C (Federally Taxable)		
2.447% to 3.922% maturing annually from 2021 to 2032	41,185	41,185
Total Bonds Outstanding	1,433,090	1,516,515
Current maturities of bonds	(115,510)	(83,425)
Total Long-Term Debt, Bonds	$ 1,317,580	$ 1,433,090

G. Bonds (continued)

The following table reflects principal debt service included in the designated year's rates. In accordance with the Resolution, these moneys are collected through rates the year prior to the January 1 maturity and deposited into the Bond Fund for payment when due. Current maturities of $115,510,000 at December 31, 2013 were collected monthly through rates during 2013 and were deposited into the Bond Fund to make the January 1, 2014 principal payment. Debt service deposit requirements from the designated year's rates for long-term debt outstanding at December 31, 2013 are as follows (in thousands of dollars):

Year	Principal	Interest	Total
2014	117,720	64,279	181,999
2015	128,150	58,273	186,423
2016	138,235	52,352	190,587
2017	147,475	45,274	192,749
2018 to 2022	444,560	130,776	575,336
2023 to 2027	171,890	69,512	241,402
2028 to 2032	169,550	22,718	192,268
Total	$ 1,317,580	$443,184	$ 1,760,764

The fair market value of the Agency's long-term debt was estimated using a yield curve derived from December 31, 2012 and 2011 market prices for similar securities. Using these yield curves, market prices were estimated for each individual maturity and the individual maturities were summed to arrive at an estimated fair market value of $1,501,339,564 and $1,718,025,476 at December 31, 2013 and 2012, respectively.

Certain proceeds of the Series 1998A, 2003A, 2003B (subsequently paid at maturity), 2008A, 2008B, 2009A, 2009B, 2010A, 2010B, and 2012A bonds were used to establish trusts for the refunding of $3,256,570 of previously issued bonds at December 31, 2012. At December 31, 2012, $2,552,170 of these bonds has been redeemed leaving $704,400,000 still outstanding.

Under these Refunding Trust Agreements, obligations of, or guaranteed by, the United States have been placed in irrevocable Refunding Trust Funds maintained by the Bond Fund Trustee. The government obligations in the respective Refunding Trust Funds along with the interest earnings on such obligations, will be sufficient to pay all interest on the refunded bonds when due and to redeem all refunded bonds at various dates prior to their original maturities at par. The monies on deposit in each Refunding Trust Fund, including the interest earnings thereon, are pledged solely for the benefit of the holders of the refunded bonds. Since the establishment of each Refunding Trust Fund, the refunded bonds are no longer considered outstanding obligations of the Agency.

Interest on the bonds is payable semi-annually.

Certain of the following bonds are subject to redemption prior to maturity at the option of the Agency, on or after the following dates at a maximum of 100% of the respective principal amounts:

Series 2003A	January 1, 2013
Series 2008A and C	January 1, 2018
Series 2009A and C	January 1, 2019
Series 2010A and B	January 1, 2020

G. Bonds (continued)

The Series 2009 B and D Bonds are subject to redemption on any business day at the Make Whole Redemption Price which is the greater of (i) 100% of principal amount to be redeemed or (ii) the sum of the present value of the remaining scheduled principal and interest to be redeemed. The Series 2009D are also subject to redemption on any business day at the Extraordinary Optional Redemption Price which is the greater of (i) 100% of principal amount to be redeemed or (ii) the sum of the present value of the remaining scheduled principal and interest to be redeemed. An Extraordinary Event will have occurred if the Agency determines that a material adverse change has occurred which is not the Agency's fault, which results in a reduction or elimination of the Federal subsidy payment.

The bonds are special obligations of the Agency, payable solely from and secured solely by (1) project revenues (as defined by the Resolution) after payment of project operating expenses (as defined by the Resolution) and (2) other monies and securities pledged for payment thereof by the Resolution.

The Resolution requires the Agency to deposit into special funds all proceeds of bonds issued and all project revenues (as defined by the Resolution) generated as a result of the Project Power Sales Agreements and Interconnection Agreement. The purpose of the individual funds is specifically defined in the Resolution.

The Resolution requires that the agency maintains a reserve fund balance in an amount to sufficiently cover the highest annual debt service payment over the life of the bonds, which was $189,281,000 and $189,281,000 for 2013 and 2012, respectively. As of December 31, 2013 and 2012, the balances of the reserve were $190,916,000 and $190,914,000, respectively. The Resolution also requires a bond contingency fund to be established to maintain 10% of the required reserves for the year totaling $18,928,000 and $18,928,000 for 2013 and 2012, respectively. As of December 31, 2013 and 2012, the balances of the contingency fund were $19,109,000 and $18,930,000, respectively.

As of December 31, the Agency had $99,712,000 and $158,369,000 in unspent bond funds in restricted cash and investments for 2013 and 2012, respectively.

H. Commitments and Contingencies

Duke maintains, on behalf of all co-owners of the Catawba station, nuclear insurance coverage in the following areas: liability coverage, property, decontamination and decommissioning coverage, and extended accidental outage coverage to cover increased generating costs and/or replacement power purchases.

<u>Liability Coverage</u>

In accordance with the Price-Anderson Act, Duke, on behalf of all co-owners, insures against public liability claims from a nuclear incident to the full limit of liability of approximately $13.6 billion, $375 million of which is by private insurance with a like amount to cover certain worker tort claims. The remaining amount of approximately $13.2 billion has been provided through a mandatory industry-wide excess secondary insurance program of risk pooling. The $13.2 billion amount will increase by $127 million as each new nuclear reactor is licensed and decrease by $127 million for each insured nuclear reactor that in no longer operational and has been exempted from the program. The Agency is liable for 37.5% of these premiums.

The terms of this coverage require the owners of all licensed facilities to provide retrospective premiums of up to $127 million per year per unit owned (adjusted annually for inflation) in the event of any nuclear incident involving any licensed facility in the nation, with an annual maximum assessment of $19 million per unit owned. If any such payments are required, the Agency would be liable for 37.5% of those payment amounts.

The Price Anderson Act expires in 2025.

H. Commitments and Contingencies (continued)

Property, Decontamination and Decommissioning Coverage

Primary property damage insurance coverage purchased for the station is $500 million. If the insurer's losses ever exceed its reserves, Duke will be liable, on a pro rata basis, for additional assessments of up to $15.21 million. This amount represents ten times of Catawba's annual premium. Excess property damage, decontamination and decommissioning liability insurance of $2.25 billion have also been purchased. If industry losses ever exceed the accumulated funds available to the insurer for the excess property, decontamination and decommissioning liability program, Catawba will be liable, on a pro rata basis, for additional assessments of up to $15.223 million which represents ten times the annual premium.

Extended Accidental Outage Coverage

Duke also purchases on behalf of all co-owners, increased cost of generation and/or purchased power insurance resulting from an accidental outage of a nuclear unit. Each unit at Catawba is insured for up to approximately $3.5 million per week, after a 12-week deductible period, with declining amounts per unit where more than one unit is involved in the accidental outage. The coverage continues at 100% for 52 weeks and 80% for the next 110 weeks. The per accident outage policy limit is $490 million. If the insurer's losses exceed its reserves for this program, Catawba will be liable, on a pro rata basis, for additional assessments of up to $8.51 million which represents ten times Catawba's annual premium.

The Agency assumes their pro rata shares of any liability for retrospective premium assessments resulting from the Nuclear Electric Insurance Limited policies applicable to the joint ownership agreements.

I. Subsequent Events

The Agency has evaluated subsequent events through April 1, 2013, in connection with the preparation of these financial statements which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

North Carolina Municipal Power Agency Number 1
Schedules of Revenues and Expenses Per Bond Resolution and Other Agreements
($000s)

	Year Ended December 31, 2013		
	Project	Supple- mental	Total
Revenues:			
Sales to participants	$375,841	$ 38,983	$414,824
Sales to utilities	97,874	-	97,874
Investment income	5,500	1,017	6,517
Excess Funds valuation	18,414	-	18,414
Other revenue	1,368	98	1,466
Total Revenues	498,997	40,098	539,095
Expenses:			
Operation and maintenance	121,018	1,610	122,628
Nuclear fuel	59,976		59,976
Fossil fuel	-	617	617
Interconnection services:			
Purchased power	39,767	22,747	62,514
Transmission and distribution	-	13,059	13,059
Other	-	1,974	1,974
Total interconnection services	39,767	37,780	77,547
Administrative and general – Duke	33,134	-	33,134
Administrative and general – Agency	4,799	9,517	14,316
Gross receipts and excise taxes	15,022	1,215	16,237
Property tax	21,013	396	21,409
Debt service	183,976	-	183,976
Special funds deposits:			
Decommissioning fund	1,137	6,239	7,376
Reserve and contingency fund	19,155	-	19,155
Total special funds deposits	20,292	6,239	26,531
Total Expenses	498,997	57,374	556,371
Excess of (Expenses) Over Revenues	$ -	$ (17,276)	$(17,276)

Note: The schedule above has been prepared in accordance with the underlying Bond Resolution, and accordingly, does not reflect the change in the fair value of investments as of December 31, 2013 and 2012.

See accompanying Report of Independent Auditor.

Year Ended December 31, 2012		
Project	Supple-mental	Total
$ 362,586	$ 32,462	$ 395,048
76,313	-	76,313
6,374	1,083	7,457
15,380	-	15,380
35	99	134
460,688	33,644	494,332
121,674	3,842	125,516
53,823	-	53,823
	757	757
31,658	22,096	53,754
-	12,134	12,134
-	1,544	1,544
31,658	35,774	67,432
38,367	-	38,367
5,062	9,234	14,296
14,201	949	15,150
21,131	420	21,551
157,805	-	157,805
1,137	2,566	3,703
15,830	-	15,830
16,967	2,566	19,533
460,688	53,542	514,230
$ -	$ (19,898)	$ (19,898)

North Carolina Municipal Power Agency Number 1
Budgetary Comparison Schedule
Year Ended December 31, 2013
($000's)

	2013 Budget Original	2013 Budget Final	Actuals (Budgetary Basis)	Positive (Negative) Variance With Final Budget
Revenues:				
Sales to participants	$420,423	$420,423	$ 414,824	$ (5,599)
Sales to utilities	94,120	94,120	97,874	3,754
Investment income	7,940	7,940	6,517	(1,423)
Excess Funds valuation	19,154	19,154	18,414	(740)
Working Capital Deposit	22,524	-	-	-
Other revenues	75	75	1,466	1,391
Total Revenues	564,236	541,712	539,095	(2,617)
Expenses:				
Operations and maintenance	109,980	109,980	122,628	(12,648)
Nuclear fuel	65,164	65,164	59,976	5,188
Fossil fuel	970	970	617	353
Interconnection services:				
Purchased power	62,638	62,638	62,514	124
Transmission and distribution	14,807	14,807	13,059	1,748
Other interconnection expenses	2,067	2,067	1,974	93
Total interconnection services	79,512	79,512	77,547	1,965
Administrative and general – Duke	36,966	36,966	33,134	3,832
Power Agency services	14,710	14,710	14,316	394
Taxes	37,853	37,853	37,646	207
Debt service	192,550	192,550	183,976	8,574
Special funds deposits	26,531	26,531	26,531	-
Total Expenses	564,236	564,236	556,371	7,865
Excess of Revenues Over Expenses	$ -	$(22,524)	$ (17,276)	$ 5,248

Note: The schedule above has been prepared in accordance with the underlying Bond Resolution, and accordingly, does not reflect the change in the fair value of investments as of December 31, 2013.

See accompanying Report of Independent Auditor.

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North Carolina Municipal Power Agency Number 1
Schedule of Changes in Assets of Funds Invested
($000's)

	Funds Invested January 1, 2012	Power Billing Receipts	Investment Income	Receipts (Disbursements)	Transfers
Construction Fund	$ 27,274	$ -	$ 283	$ 130,821	$ (11,760)
Bond Fund:					
Interest account	40,125	-	38	(89,848)	73,395
Reserve account	187,588	-	5,588	(9,318)	(5,350)
Principal account	87,409	-	90	(87,355)	83,291
Total Bond Fund	315,122	-	5,716	(186,521)	151,336
Reserve and Contingency Fund	19,558		228	(12,693)	11,488
Revenue Fund:					
Revenue account	12,720	334,533	16	26,990	(347,985)
Rate Stabilization account	-	-	-	-	-
Total Revenue Fund	12,720	334,533	16	26,990	(347,985)
Operating Fund:					
Working Capital account	47,855	-	159	(190,962)	182,703
Fuel account	20,828	-		(59,715)	59,136
Total Operating Fund	68,683	-	159	(250,677)	241,839
Supplemental Fund:					
Supplemental account	108,183	58,904	860	(26,863)	(47,262)
Reserve for future costs	6,607	-	104		2,565
Supplemental Reserve account	-	-	221		(221)
Total Supplemental Fund	114,790	58,904	1,185	(26,863)	(44,918)
Total Funds Invested	$ 558,147	$ 393,437	$ 7,587	$ (318,943)	$ -

Note: The schedule above has been prepared in accordance with the underlying Bond Resolution, and accordingly, does not reflect the change in the fair value of investments as of December 31, 2013 and 2012.

See accompanying Report of Independent Auditor.

Funds Invested December 31, 2012	Power Billing Receipts	Investment Income	Receipts (Disburse-ments)	Transfers	Funds Invested December 31, 2013
$ 146,618	$ -	$ 437	$ (47,282)	$ (4,318)	$ 95,455
23,710	-	16	(59,259)	69,675	34,142
178,508	-	5,135	-	2,479	186,122
83,435	-	61	(83,425)	115,458	115,529
285,653	-	5,212	(142,684)	187,612	335,793
18,581	-	269	3,063	(3,033)	18,880
26,274	385,970	7	29,751	(419,966)	22,036
-	-	-	-	-	-
26,274	385,970	7	29,751	(419,966)	22,036
39,755	-	123	(199,166)	208,080	48,792
20,249	-		(55,396)	54,577	19,430
60,004	-	123	(254,562)	262,657	68,222
93,822	26,661	1,015	(27,692)	(29,191)	64,615
9,276	-	136	-	6,239	15,651
-	-	-	-	-	-
103,098	26,661	1,151	(27,692)	(22,952)	80,266
$ 640,228	$412,631	$ 7,199	$(439,406)	$ -	$ 620,652