2021 Financial Report

Elizabeth City, NC

NORTH CAROLINA EASTERN MUNICIPAL POWER AGENCY

Annual Financial Report
(With Report of Independent Auditor Thereon)

December 31, 2021 and 2020

PBMares

INDEPENDENT AUDITOR'S REPORT

Board of Directors
North Carolina Eastern Municipal Power Agency
Raleigh, North Carolina

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of North Carolina Eastern Municipal Power Agency (the Agency) which comprise the statements of net position as of December 31, 2021 and 2020, the related statements of revenues and expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Agency as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the date of the financial statements .

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for at least twelve months beyond the date of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 10 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 the Agency's basic financial statements. The budgetary schedules and statements 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 the Agency.

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.

PBMares, LLP

Morehead City, North Carolina
April 18, 2022

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

As management of North Carolina Eastern Municipal Power Agency (Agency), we offer this narrative overview and analysis of the financial activities of the Agency for the year ended December 31, 2021 and 2020. We encourage you to read this information in conjunction with the information furnished in the Agency's financial statements and accompanying notes that follow this narrative.

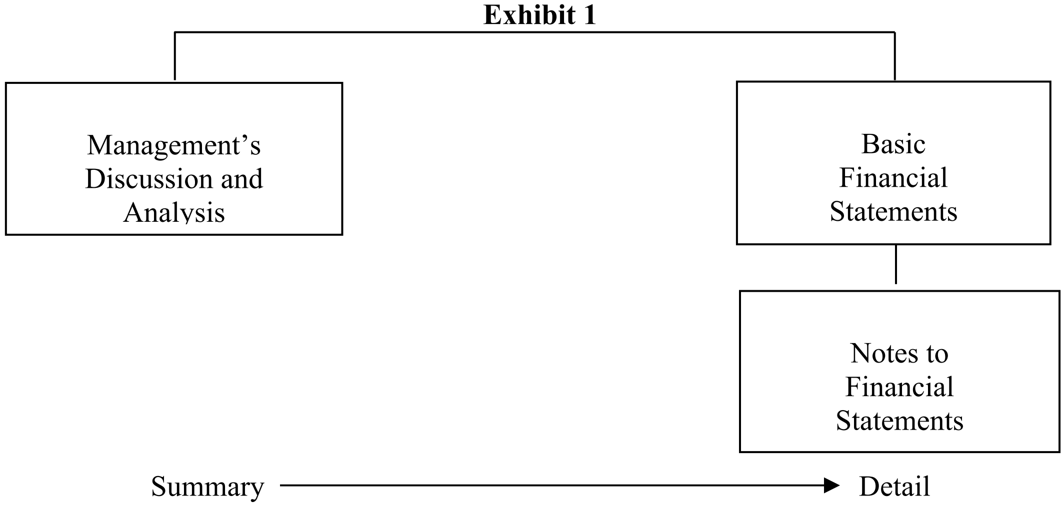
Financial Highlights

- The Agency's basic financial statements consist of a single electric enterprise fund.
- At year-end 2021 and 2020, the Agency's assets and deferred outflows exceeded its liabilities and deferred inflows by $173,855,000 and $104,993,000 (net position), respectively.
- The Agency's net position increased by $68,682,000 and decreased by $5,077,000 for 2021 and 2020, respectively.
- Principal payments were made in the amount of $42,300,000 and $41,100,000 during 2021 and 2020 respectively, in accordance with the debt payment schedule.
- The bond ratings remained the same as follows:
  - Standard and Poor's – A- (stable).
  - Fitch –A (stable).
- There was no rate change in 2021 compared to an overall 1.0% rate decrease in 2020.

Overview of the Financial Statements

This MD&A is 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 supplementary 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 and deferred outflows of resources and total 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 basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes are on pages 16 to 31 of this report.

After the notes, supplementary 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. Supplementary information can be found on pages 32 to 37 of this report.

Financial Analysis

The electric enterprise fund financial statements for the year ended December 31, 2021 and 2020 are presented in accordance with Governmental Accounting Standards Board.

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

	December 31,		
	2021	2020	2019
Assets and Deferred Outflows of Resources			
Capital assets	$ 25,642	$ 26,921	$ 28,200
Current and other assets	270,526	215,157	212,452
Deferred outflows of resources	146,244	188,083	230,046
Total assets and deferred outflows of resources	442,412	430,161	470,698
Liabilities and Deferred Inflows of Resources			
Long-term liabilities outstanding	141,090	184,795	227,095
Other liabilities	81,781	94,683	88,224
Deferred inflows of resources	45,686	45,690	45,309
Total liabilities and deferred inflows of resources	268,557	325,168	360,628
Net Position			
Net investment in capital assets	25,642	26,921	28,200
Restricted for debt service	4,542	4,422	3,587
Unrestricted	143,671	73,650	78,283
Total net position	$ 173,855	$ 104,993	$ 110,070

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 by $173,855,000, $104,993,000 and $110,070,000 at December 31, 2021, 2020 and 2019, respectively, representing an increase of $68,862,000 in 2021 and a decrease of $5,077,000 for 2020.

A portion of the Agency's net position in the amount of $25,642,000, $26,921,000 and $28,200,000 at December 31, 2021, 2020 and 2019, respectively, is the net investment in capital assets (e.g. land, buildings, distributed generators, and equipment).

An additional portion of the Agency's net position of $4,542,000, $4,422,000 and $3,587,000 at December 31, 2021, 2020 and 2019, respectively, represents resources that are restricted for the payment of debt service.

The remaining balance of $143,671,000, $73,650,000 and 78,283,000 at December 31, 2021, 2020, 2019, respectively, is unrestricted net position.

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

	Year Ended December 31, 2021		Year Ended December 31, 2020	
Revenues:				
Operating revenues	$	532,882	$	503,956
Nonoperating revenues		652		1,562
Total Revenues		533,534		505,518
Expenses:				
Operating expenses		413,760		459,299
Interest on long-term debt		7,913		9,215
Other nonoperating (revenues)/expenses		42,999		42,081
Total Expenses		464,672		510,595
Increase (decrease) in net position		68,862		(5,077)
Net Position, Beginning of year		104,993		110,070
Net Position, End of year	$	173,855	$	104,993

Financial Highlights

There was no rate change in 2021 compared to an overall 1.0% rate decrease in 2020.

Capital Assets and Debt Administration

Capital Assets

The Agency's net investments in capital assets at December 31, 2021, 2020 and 2019 totaled $25,642,000, $26,921,000 and $28,200,000 (net of accumulated amortization and depreciation), respectively. These assets include land, buildings, distributed generators, and equipment.

Major capital asset transactions during 2021 and 2020 include the following:

- Electric Utility Plant and Non-Utility Property and Equipment were depreciated $1,279,000 and $1,279,000 for 2021 and 2020, respectively.

Capital Assets
Exhibit 4
($000s)

Electric Utility Plant, Net

	December 31, 2020	Additions	Transfers	Retirements	December 31, 2021
Depreciable Utility Plant					
Electric Utility Plant					
Diesel Generators	$ 30,602	$ -	$ -	$ -	$ 30,602
Total Depreciable Utility Plant	30,602				30,602
Accumulated Depreciation and Amortization					
Electric Plant in Service/DG	(5,058)	(1,239)	-	-	(6,297)
Total Accumulated Depreciation and Amortization	(5,058)	(1,239)	-	-	(6,297)
Depreciable Utility Plant/DG, Net	25,544	(1,239)	-	-	24,305
Land and Other Non-Depreciable Assets					
Land	474	-	-	-	474
Construction Work In Progress	-	-	-	-	-
Total Electric Utility Plant, Net	$ 26,018	$ (1,239)	$ -	$ -	$ 24,779

	December 31, 2019	Additions	Transfers	Retirements	December 31, 2020
Depreciable Utility Plant					
Electric Utility Plant					
Diesel Generators	$ 30,602	$ -	$ -	$ -	$ 30,602
Total Depreciable Utility Plant	30,602	-	-	-	30,602
Accumulated Depreciation and Amortization					
Electric Plant in Service/DG	(3,819)	(1,239)	-	-	(5,058)
Total Accumulated Depreciation and Amortization	(3,819)	(1,239)	-	-	(5,058)
Depreciable Utility Plant/DG, Net	26,783	(1,239)	-	-	25,544
Land and Other Non-Depreciable Assets					
Land	474	-	-	-	474
Construction Work In Progress	-	-	-	-	-
Total Electric Utility Plant, Net	$ 27,257	$ (1,239)	$ -	$ -	$ 26,018

Non-Utility Plant and Equipment, Net

	December 31, 2020	Additions	Transfers	Retirements	December 31, 2021
Non-Utility Property and Equipment					
Property and Equipment	$ 1,544	$ -	$ -	$ -	$ 1,544
Accumulated Depreciation	(1,351)	(40)	-	-	(1,391)
Total Depreciable Property and Equipment, Net	193	(40)	-	-	153
Land	710	-	-	-	710
Total Non-Utility Property and Equipment, Net	$ 903	$ (40)	$ -	$ -	$ 863

	December 31, 2019	Additions	Transfers	Retirements	December 31, 2020
Non-Utility Property and Equipment					
Property and Equipment	$ 1,544	$ -	$ -	$ -	$ 1,544
Accumulated Depreciation	(1,311)	(40)	-	-	(1,351)
Total Depreciable Property and Equipment, Net	233	(40)	-	-	193
Land	710	-	-	-	710
Total Non-Utility Property and Equipment, Net	$ 943	$ (40)	$ -	$ -	$ 903

Additional information on capital assets can be found in Note C beginning on page 22 of this report.

Outstanding Debt

Total debt outstanding at December 31, 2021, 2020 and 2019 was $184,795,000, $227,095,000 and $268,195,000, respectively, all of which consists of bonds issued during 2015. Total debt decreased by $42,300,000 and $41,100,000 during 2021 and 2020, respectively, due to principal payments made in accordance with the debt service schedule.

The bond ratings remained the same as follows:

- Standard and Poor’s – A- (stable).
- Fitch – 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 2022 budget:

- The historical 10-year average weather-normalized load (energy) growth rate is approximately 0.4%/year. Load is expected to grow at a rate of 0.6% annually for the next 10 years for Power Agency based on current economic projections and anticipated improvements in end-use energy efficiency.
- Natural gas spot prices are expected to remain relatively flat or lower in the next few years due to growth in U.S. natural gas production and relatively unchanged domestic consumption and will continue to increase in the long run.
- Market prices for coal are expected to increase each year through 2050, based largely on high demand from electricity and industrial sector.

Budget Highlights for 2022

- Forecasts no overall wholesale rate change in 2022.
- Collection of $43,705,000 for debt principal due July 1, 2022.
- Forecasts a 3.9% increase in Power Agency Services for 2022.
- Projects a 10-year average annual load growth of 0.4% for energy and 0.6% for CP demand.

Requests for Information

This report is designed to provide an overview of the Agency's finances for those who are interested. 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 Eastern Municipal Power Agency, P. O. Box 29513, Raleigh, NC 27626-0513.

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North Carolina Eastern Municipal Power Agency
Statement of Net Position
($000s)

	December 31, 2021	December 31, 2020
ASSETS		
Non-Current Assets		
Capital Assets (Note C):		
Electric Utility Plant, Net		
Electric plant in service/DG	$ 31,076	$ 31,076
Accumulated depreciation and amortization	(6,297)	(5,058)
Total Electric Utility Plant, Net	24,779	26,018
Non-Utility Property and Equipment, Net		
Property and equipment	2,254	2,254
Accumulated depreciation	(1,391)	(1,351)
Total Non-Utility Property and Equipment, Net	863	903
Total Capital Assets	25,642	26,921
Restricted Assets		
Special Funds Invested (Note D):		
Revenue fund	4,518	4,381
Bond fund	37,570	37,586
Contingency fund	5,095	5,094
Total Special Funds Invested	47,183	47,061
Total Restricted Assets	47,183	47,061
Total Non-Current Assets	72,825	73,982
Current Assets		
Funds Invested (Note D):		
Supplemental fund	132,375	109,566
Total Funds Invested	132,375	109,566
Members accounts receivable	41,464	42,604
Operating receivable	32,310	-
Renewable Energy Certificate Inventory (Note E)	14,484	13,401
Prepaid expenses	2,710	2,525
Total Current Assets	223,343	168,096
Total Assets	$ 296,168	$ 242,078

See accompanying Notes to Financial Statements.

North Carolina Eastern Municipal Power Agency
Statement of Net Position
($000s)

	December 31, 2021	December 31, 2020
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized debt issuance costs	$ 359	$ 522
Costs To Be Recovered (Note F)	145,885	187,561
Total Deferred Outflows of Resources	146,244	188,083
LIABILITIES		
Non-Current Liabilities		
Long-Term Debt (Note G)		
Bonds payable	141,090	184,795
Total Non-Current Liabilities	141,090	184,795
Current Liabilities		
Operating Liabilities:		
Accounts payable	34,516	48,123
Total Operating Liabilities	34,516	48,123
Special Funds Liabilities:		
Current maturities of bonds (Note G)	43,705	42,300
Accrued interest on bonds	3,560	4,260
Total Special Funds Liabilities	47,265	46,560
Total Current Liabilities	81,781	94,683
Total Liabilities	222,871	279,478
DEFERRED INFLOWS OF RESOURCES		
Collections to be expended (Note F)	45,686	45,690
Total Deferred Inflows of Resources	45,686	45,690
NET POSITION		
Net investment in capital assets	25,642	26,921
Restricted for debt service	4,542	4,422
Unrestricted	143,671	73,650
Total Net Position	$ 173,855	$ 104,993

See accompanying Notes to Financial Statements.

North Carolina Eastern Municipal Power Agency
Statement of Revenue and Expenses and Changes in Net Position
($000s)

	Year Ended December 31, 2021	2020
Operating Revenues:		
Sales to participants/members	$ 532,563	$ 503,671
Other revenues	319	285
Total Operating Revenues	532,882	503,956
Operating Expenses:		
Operation and maintenance	659	432
Fuel	1,208	793
Power coordination services/FRPP:		
Purchased power	428,733	394,389
Transmission and distribution	26,265	21,908
Other	(56,752)	28,082
Total power coordination services	398,246	444,379
Administrative and general	12,083	12,118
Amounts in lieu of taxes	285	298
Depreciation and amortization	1,279	1,279
Total Operating Expenses	413,760	459,299
Operating Income	119,122	44,657
Nonoperating (Revenues) Expenses		
Investment income	(652)	(1,562)
Net decrease/(increase) in fair value of investments	1,164	(263)
Interest expense	7,913	9,215
Amortization of debt issuance costs	163	186
Net decrease in costs to be recovered (Note F)	41,676	41,777
Net (decrease)/increase in collections to be expended (Note F)	(4)	381
Total nonoperating expenses	50,260	49,734
Increase/(decrease) in Net Position	68,862	(5,077)
Net Position, Beginning of the year	104,993	110,070
Net Position, End of the year	$ 173,855	$ 104,993

See accompanying Notes to Financial Statements.

North Carolina Eastern Municipal Power Agency
Statement of Cash Flows
($000s)

	Year Ended December 31, 2021	2020
Cash Flows from Operating Activities:		
Receipts from sales of electricity	$ 534,022	$ 505,454
Payments of operating expenses	(459,666)	(453,016)
Net cash provided by operating activities	74,356	52,438
Cash Flows from Capital and Related Financing Activities:		
Interest paid	(8,612)	(9,817)
Bonds Principal Payment	(42,300)	(41,100)
Net cash used for capital and related financing activities	(50,912)	(50,917)
Cash Flows from Investing Activities:		
Sales and maturities of investment securities	1,459,240	1,248,961
Purchases of investment securities	(1,483,213)	(1,252,220)
Investment earnings receipts	793	1,484
Net cash used by investing activities	(23,180)	(1,775)
Net Change in Operating Cash	264	(254)
Operating Cash, Beginning of year	(198)	56
Operating Cash, End of year	$ 66	$ (198)
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	$ 119,122	$ 44,657
Adjustments:		
Depreciation and amortization	1,279	1,279
Changes in assets and liabilities:		
Decrease in participant accounts receivable	1,140	1,498
(Increase)/decrease in operating receivable	(32,310)	135
(Increase)/decrease in prepaid expenses	(185)	205
Increase in renewable energy certificate inventory	(1,083)	(1,197)
(Decrease)/increase in accounts payable	(13,607)	5,861
Total Adjustments	(44,766)	7,781
Net Cash Provided by Operating Activities	$ 74,356	$ 52,438

See accompanying Notes to Financial Statements.

A. General Matters

North Carolina Eastern Municipal Power Agency (Agency) is a joint agency organized and existing pursuant to Chapter 159B of the General Statutes of North Carolina to enable municipal electric systems, through the organization of the Agency, to finance, build, own and operate generation and transmission projects. The Agency is comprised of 32 municipal electric systems (Members) with interests ranging from 0.0783% to 16.1343%, which receive power from the Agency.

Full Requirements Project

In order to provide the power and energy that Power Agency has agreed to provide to the Members under the Full Requirements Power Sales Agreements, Power Agency has entered into the Full Requirements Power Purchase Agreement (FRPPA) with Duke Energy Progress (DEP) effective July 1, 2015.

Under the FRPPA, DEP agrees to provide firm capacity and energy in the amounts required by Power Agency to reliably serve the electrical loads of its Members. Member loads (i) not located in the geographic area DEP serves, and (ii) of a type and size that would not have been included by DEP in planning its system and that would require an enlargement of DEP's generating facilities or would impair DEP's ability to serve other wholesale and retail customers are excluded from DEP's commitment. In providing the services required by the FRPPA, DEP is required to exercise reasonable care (consistent with industry practices) to provide an uninterrupted supply of electricity and may not adversely distinguish between the provision of service to Power Agency and the provision of service to other wholesale and retail DEP customers.

Under the FRPPA, DEP charges Power Agency a monthly capacity charge and monthly energy charge. The monthly capacity charge for each month is determined by applying the measured demand of Power Agency in the hour that is coincident with the hour of the DEP system peak demand (less Southeastern Power Administration (SEPA) capacity and certain alternative base load capacity sources) to a capacity rate that is determined pursuant to the FRPPA. The monthly energy charge is based on the amount of energy actually used by Power Agency in a given month. Under the FRPPA, DEP also charges Power Agency a monthly charge for reserve capacity maintained by DEP for certain noticed distributed generation that have capacity ratings in excess of 2,500 kW. The rates charged to Power Agency are based on DEP's system wide average cost of producing power and energy.

The term of the FRPPA continues through December 31, 2043. Power Agency has certain options to terminate the FRPPA on an earlier date, the earliest such date being after the final maturity date of the 2015 Bonds which is July 1, 2025.

In conjunction with the FRPPA the Agency entered into two agreements with each of the Agency's Members effective July 1, 2015.

- The Power Sales Agreement governs the purchase of each Member's full requirements bulk power supply from the Agency. This agreement effectively terminates the prior Initial Project Power Sales Agreement and the Supplemental Power Sales Agreement.
- The Debt Service Support Contract governs the Member's obligation to pay its share of debt service under Bond Resolution BDR-5-15.

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 entered into a management agreement with ElectriCities. Under the current management agreement with the Agency, ElectriCities is required to provide all personnel and personnel services necessary for the Agency to conduct its business in an economic and efficient manner. This agreement continued through December 31, 2018 and was 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. The Agency paid ElectriCities $14,412,000 and $13,150,000 for the years ended December 31, 2021 and 2020, 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 of America (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 net position may be utilized for any purpose approved by the Board through the budget process. When both restricted and unrestricted net position might be used to meet an obligation, the Agency first uses the restricted net position.

B. Significant Accounting Policies (continued)

Electric Plant in Service

The Agency installed 20MW of diesel generation under the terms of the Merger Agreement with Progress Energy. This diesel generation was installed at a substation in Greenville, NC at one of the Agency member's substations. The purpose of this generation is to be operated during the monthly coincident billing peak, thus reducing costs paid to DEP (capacity, energy, and transmission). Each month the members are provided a DG Credit under Rider No. 6A of the FR-3 Wholesale Rate in the equivalent amount that is saved from DEP. The diesel generation is being depreciated over 25 years on a straight-line basis.

The Agency installed an additional 18 MW of diesel generation as a provision of the Third Amendment to the Full Requirements Power Purchase Agreement (FRPPA) with Duke Energy Progress (DEP). This diesel generation was installed adjacent to a substation in Greenville, NC, at one of the Agency member's substations. The purpose of this generation is to be operated during the monthly coincident billing peak, thus reducing costs paid to DEP (capacity, energy, and transmission). This generation was placed in operation in January 2020. Each month the members are provided a DG Credit under Rider No. 6B of the FR-3 Wholesale Rate in the equivalent amount that is saved from DEP. The diesel generation is being depreciated over 25 years on a straight-line basis.

Non-Utility Property and Equipment

This includes the land and administrative office building jointly owned with NCMPA1 and used by both Agencies and ElectriCities. The administrative office building is being depreciated over 37 ½ years on a straight-line basis.

Investments

The Agency reports according to the provisions of GASB Statement No. 72 "Fair Value Management and Application" which requires investments to be reported at fair value, GASB Statement No. 79 "Certain External Investment Pools and Pool Participants", which allows certain whole investment pools to be reported at amortized cost, and GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," which allows certain investments to be reported at amortized cost. In addition, the Agency reports according to the provisions of GASB Statement No. 40 "Deposit and Investment Risk Disclosures" which addresses common investment risks related to credit risk, concentration of credit risk and interest rate risk.

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/Members in the project, and based on past collection history, management does not believe an allowance for doubtful accounts is required.

B. Significant Accounting Policies (continued)

Renewable Energy Certificate Inventory

The Renewable Energy and Energy Efficiency Portfolio Standard (REPS) in North Carolina requires electric utilities to procure a certain portion of the energy sold to retail customers from renewable energy generators or energy efficiency programs. The Agency complies with REPS through the procurement of Renewable Energy Certificates (RECs) from renewable generators, without the purchase of the physical energy from that generator. The Agency forecasts the number of RECs needed in future years and procure RECs accordingly. RECs are recorded at cost and are being retired on an annual basis in accordance with the quantities determined by the North Carolina Utilities Commission. Once a REC is retired, it can never be used or resold again.

Taxes

Income of the Agency is excludable from income subject to 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 property taxes, the Agency pays an amount that would otherwise be assessed on the real and personal property of the Agency.

Statements of Cash Flows

For purposes of the statements of cash flows, operating cash consists of unrestricted cash of $38,865 and ($255,081) at December 31, 2021 and 2020, respectively, and is included on the statement of net position in the line item "Current Assets: Funds Invested". Restricted cash of $27,505 and $56,811 at December 31, 2021 and 2020, respectively, is included on the statement of net position in the line item "Restricted Assets: Special Funds Invested". "Restricted Assets: Special Funds Invested" is also included on the statement of cash flows.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities and deferred inflows, 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.

Deferred Outflows/Inflows of Resources

The Statement of Net Position reports separate sections for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as revenue until then.

B. Significant Accounting Policies (continued)

Debt Issuance Costs

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.

Future Accounting Standards

The Agency has not yet evaluated the effect of implementation of the following GASB pronouncements.

In June 2017, GASB issued Statement No. 87, Leases. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases. This Statement is effective for reporting periods starting with the fiscal year that ends December 31, 2022.

In June 2018, GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods starting with the fiscal year that ends December 31, 2022.

In May 2019, GASB issued Statement No. 91, Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations and (3) related note disclosures. This Statement is effective for reporting periods beginning with the fiscal year that ends December 31, 2022.

In January 2020, GASB issued Statement No. 92, Omnibus 2020. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. This statement is effective for reporting periods beginning after June 15, 2021.

In March 2020, GASB issued Statement No. 93, Replacement of Interbank Offered Rates. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). As a result of global reference rate reform, LIBOR was phased out at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates. The requirements of this Statement, except for paragraphs 11b, 13, and 14 are effective for reporting periods beginning after June 15, 2020, and did not have a material impact on the Agency's financial position, overall cash flow or balances or

B. Significant Accounting Policies (continued)

results of operations. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years periods beginning after June 15, 2021.

In March 2020, GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this Statement is to improve financial reporting by addressing issues related to the public-private and public-public partnership arrangements (PPPs). This Statement is effective for reporting periods beginning after June 15, 2022.

In May 2020, GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. This Statement is effective for reporting periods beginning after June 15, 2022.

In June 2020, GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements in this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans are effective immediately (June 2020), and did not have a material impact on the Agency’s financial position, overall cash flow or balances or results of operations. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

C. Capital Assets

Changes in components of electric utility plant, net during 2021 and 2020 are as follows (in thousands of dollars):

	December 31, 2020	Additions	Transfers	Retirements	December 31, 2021
Depreciable Utility Plant					
Electric Utility Plant					
Diesel Generators	$ 30,602	$ -	$ -	$ -	$ 30,602
Total Depreciable Utility Plant	30,602				30,602
Accumulated Depreciation and Amortization					
Electric Plant in Service/DG	(5,058)	(1,239)	-	-	(6,297)
Total Accumulated Depreciation and Amortization	(5,058)	(1,239)	-	-	(6,297)
Depreciable Utility Plant/DG, Net	25,544	(1,239)	-	-	24,305
Land and Other Non-Depreciable Assets					
Land	474	-	-	-	474
Construction Work In Progress	-	-	-	-	-
Total Electric Utility Plant, Net	$ 26,018	$ (1,239)	$ -	$ -	$ 24,779

	December 31, 2019	Additions	Transfers	Retirements	December 31, 2020
Depreciable Utility Plant					
Electric Utility Plant					
Diesel Generators	$ 30,602	$ -	$ -	$ -	$ 30,602
Total Depreciable Utility Plant	30,602	-	-	-	30,602
Accumulated Depreciation and Amortization					
Electric Plant in Service/DG	(3,819)	(1,239)	-	-	(5,058)
Total Accumulated Depreciation and Amortization	(3,819)	(1,239)	-	-	(5,058)
Depreciable Utility Plant/DG, Net	26,783	(1,239)	-	-	25,544
Land and Other Non-Depreciable Assets					
Land	474	-	-	-	474
Construction Work In Progress	-	-	-	-	-
Total Electric Utility Plant, Net	$ 27,257	$ (1,239)	$ -	$ -	$ 26,018

C. Capital Assets (Continued)

Changes in components of non-utility property and equipment, net during 2021 and 2020 are as follows (in thousands of dollars):

	December 31, 2020	Additions	Transfers	Retirements	December 31, 2021
Non-Utility Property and Equipment					
Property and Equipment	$ 1,544	$ -	$ -	$ -	$ 1,544
Accumulated Depreciation	(1,351)	(40)	-	-	(1,391)
Total Depreciable Property and Equipment, Net	193	(40)	-	-	153
Land	710	-	-	-	710
Total Non-Utility Property and Equipment, Net	$ 903	$ (40)	$ -	$ -	$ 863

	December 31, 2019	Additions	Transfers	Retirements	December 31, 2020
Non-Utility Property and Equipment					
Property and Equipment	$ 1,544	$ -	$ -	$ -	$ 1,544
Accumulated Depreciation	(1,311)	(40)	-	-	(1,351)
Total Depreciable Property and Equipment, Net	233	(40)	-	-	193
Land	710	-	-	-	710
Total Non-Utility Property and Equipment, Net	$ 943	$ (40)	$ -	$ -	$ 903

D. Investments

The Agency's investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets. The agency categorizes investments based on the fair value hierarchy established by GASB Statement No. 72. Level 1 securities are valued using directly observable, quoted prices (unadjusted) in active markets. Level 2 securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

The Agency invests in the North Carolina Cash Management Trust (NCCMT) and North Carolina Investment Pool (NCIP). The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCIP, a commingled local government investment pool established to invest idle funds in various short-term investments in accordance with North Carolina General Statute 159-30, is measured at fair value.

D. Investments (Continued)

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

		December 31, 2021		December 31, 2020	
	Method of Valuation	Cost Basis	Reported Value	Cost Basis	Reported Value
U.S. Government Agencies	Fair Value Level 2	$ 49,256	$ 48,852	$ 80,298	$ 80,671
Treasury Coupons	Fair Value Level 1	40,541	40,262	15,734	15,797
Treasury Discount Notes	Fair Value Level 1	10,925	10,924	10,573	10,576
Commercial Paper	Fair Value Level 2	34,485	34,488	34,096	34,098
North Carolina Investment Pool	Fair Value Level 1	44,647	44,647	-	-
NC Capital Management Trust -Government Portfolio	Fair Value Level 1	197	197	15,477	15,477
Sub-total funds invested		180,051	179,370	156,178	156,619
Cash					
Unrestricted cash		39	39	(255)	(255)
Restricted cash		27	27	57	57
Accrued interest		122	122	206	206
Total funds invested		$ 180,239	$ 179,558	$ 156,186	$ 156,627
Consisting of:					
Unrestricted Assets			$ 132,375		$ 109,566
Restricted Assets			47,183		47,061
Total funds invested			$ 179,558		$ 156,627

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.

D. Investments (Continued)

As of December 31, 2021, and 2020, the maturities of the Agency's investments are as follows (in thousands of dollars):

December 31, 2021

	Reported Value	Investment Maturity (In Years) Under 1	1-5	6-10	Over 10
U.S. government agencies	$ 48,852	$ 7,075	$ 41,777	$ -	$ -
Treasury State and Local Government Securities					
Treasury Coupons	40,262	17,234	23,028	-	-
Treasury Discount Notes	10,924	10,924	-	-	-
Commercial Paper	34,488	34,488	-	-	-
NC Investment Pool	44,647	44,647	-	-	-
NC Capital Management Trust	197	197	-	-	-
Total	$ 179,370	$ 114,565	$ 64,805	$ -	$ -

December 31, 2020

	Reported Value	Investment Maturity (In Years) Under 1	1-5	6-10	Over 10
U.S. government agencies	$ 80,671	$ 15,366	$ 65,305	$ -	$ -
Treasury State and Local Government Securities					
Treasury Coupons	15,797	10,588	5,209	-	-
Commercial Paper	34,098	34,098	-	-	-
NC Capital Management Trust	15,477	15,477	-	-	-
Total	$ 156,619	$ 86,105	$ 70,514	$ -	$ -

As of December 31, 2021, and 2020, the Agency's impaired investments are detailed in the following schedule (in thousands of dollars):

December 31, 2021

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government securities	$ 77,632	$ 744	$ 8,424	$ 77	$ 86,056	$ 821
Total	$ 77,632	$ 744	$ 8,424	$ 77	$ 86,056	$ 821

December 31, 2020

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government securities	$ 28,499	$ 50	$ 1,024	$ 2	$ 29,523	$ 52
Total	$ 28,499	$ 50	$ 1,024	$ 2	$ 29,523	$ 52

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, 2021, and 2020, the Agency's investments in U.S. Government Agencies and U.S. Treasury Securities are rated Aaa by Moody's Investor Service and AA+ by Standard and Poor's Corporation. The Agency's investments in Money Market Instruments and the North Carolina Capital Management Trusts' Government Portfolio are rated AAAm by Standard and Poor's Corporation. The investments in the North Carolina Capital Management Trust Term Portfolio are not rated by any rating agency. The investments in the North Carolina Investment Pool Liquid Portfolio is rated AAAm by Standard & Poor's and AAAmmf by Fitch Ratings.

The Board of Directors of the Agency approved an Investment Risk Management Policy in 2012, with updates in May 2016 and April 2018. The policy set the overall investment objectives and established sector and issuer guidelines. It is reviewed annually to ensure its compliant with the current law and the Local Government Commission. The Agency places no limit on the amount the Agency may invest in direct obligations of the United States Treasury. Limits have been established for all remaining issuers. As of December 31, 2021 and 2020 the Agency's investments, by issuer, are detailed in the following schedule (in thousands of dollars):

	December 31, 2021		December 31, 2020	
	Reported Value	Percentage of Portfolio Portfolio	Reported Value	Percentage of Portfolio Portfolio
Federal Home Loan Mortgage Corporation	$ 16,366	9%	$ 38,038	24%
Federal National Mortgage Association	10,457	6%	20,124	13%
Federal Home Loan Bank	17,956	10%	11,943	8%
Federal Farm Credit Bank	4,072	2%	10,566	7%
Commercial Paper:				
Exxon Mobile Corp.	-	0%	3,248	2%
MacQuarie Bank Ltd.	31,989	18%	-	0%
MUFG Bank Ltd/NY	2,500	1%	30,850	20%
NC Capital Management Trust	197	0%	-	0%
North Carolina Investment Pool	44,647	25%	15,477	10%
U.S. Treasury Department	51,186	29%	26,373	17%
Total	$ 179,370	100%	$ 156,619	100%

D. Investments (Continued)

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.

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, 2021 and 2020, the Agency had $66,370 and $100,000, respectively, covered by federal depository insurance.

E. Renewable Energy Certificate Inventory

The following show RECs activity during 2021 and 2020 (in thousands of dollars):

	Summary of Changes in RECs			
	December 2020	Additions and other adjustments	Retirements	December 2021
RECs	$ 13,401	$ 3,041	$ (1,958)	$ 14,484

	December 2019	Additions and other adjustments	Retirements	December 2020
RECs	$ 12,204	$ 2,903	$ (1,706)	$ 13,401

F. Costs To Be Recovered and Collections to be Expended

Rates for power billings to Members/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 amortization and interest income recognition are recognized as costs to be recovered. 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.

F. Costs To Be Recovered and Collections to be Expended (Continued)

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, collections to be expended decrease.

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

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

Costs to be recovered include the following (in thousands of dollars):

	Year Ended December 31,		Inception to December 31,	
	2021	2020	2021	2020
Costs To Be Recovered				
Net decrease/(increase) in fair value of investments	$ 1,164	$ (263)	$ 701	$ (463)
Participant billing offsets	(42,840)	(41,514)	(257,193)	(214,353)
Defeased Bonds	-	-	402,377	402,377
Costs To Be Recovered	$ (41,676)	$ (41,777)	$ 145,885	$ 187,561

Collections to be expended include the following (in thousands of dollars):

	Year Ended December 31,		Inception to December 31,	
	2021	2020	2021	2020
Collections To Be Expended				
Net special funds withdrawals	$ -	$ (18)	$ 35,738	$ 35,738
Restricted investment income	192	481	2,998	2,806
Special funds valuations	-	-	154	154
Depreciation and amortization	(1,279)	(1,279)	(7,688)	(6,409)
Other collections to be expended	1,083	1,197	14,484	13,401
Net Collections To Be Expended	$ (4)	$ 381	$ 45,686	$ 45,690

G. Bonds

The Agency has been authorized to issue Power System Revenue Bonds (bonds) in accordance with the terms, conditions and limitations of the Resolution.

Resolution (BDR-5-15) was adopted May 22, 2015 authorizing the Agency to issue new revenue bonds in order to finance the remaining cost of defeasance of prior outstanding bonds in excess of proceeds from the sale of assets to Duke in 2015.

G. Bonds (continued)

The following shows bond activity during 2021 and 2020 (in thousands of dollars):

Summary of Changes in Long Term Liabilities

	Balance 12/31/2020	Additions	Reductions	Balance 12/31/2021	Amount Due within one year
Bonds Payable	$ 227,095	$ -	$ (42,300)	$ 184,795	$ 43,705

	Balance 12/31/2019	Additions	Reductions	Balance 12/31/2020	Amount Due within one year
Bonds Payable	$ 268,195	$ -	$ (41,100)	$ 227,095	$ 42,300

	2021	2020
Bonds Outstanding - Beginning of year	$ 227,095	$ 268,195
Principal payments July 1	(42,300)	(41,100)
Net Bonds Outstanding after Principal Payment	$ 184,795	$ 227,095

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

	December 31, 2021	December 31, 2020
Series 2015A		
3.308% maturing in 2021	-	42,300
3.558% maturing in 2022	43,705	43,705
3.808% maturing in 2023	45,260	45,260
3.958% maturing in 2024	46,985	46,985
4.058% maturing in 2025	48,845	48,845
	184,795	227,095
Total Bonds Outstanding	184,795	227,095
Current maturities of bonds	(43,705)	(42,300)
Long-Term Debt, Bonds Payable	$ 141,090	$ 184,795

The fair market value of the Agency's long-term debt was estimated using a yield curve derived from December 31, 2021 and 2020 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 $195,119,176 and $242,281,430 at December 31, 2021 and 2020, respectively.

G. Bonds (continued)

Certain proceeds of the Series 1991 A, 1993 B, 2003 E, 2005 A, 2008 A, 2008 B, 2009 B, 2009 C, 2010 A, 2012 B, 2012 C, 2012 D and 2015 bonds, were used to establish trusts for refunding $5,232,495,000 of previously issued bonds at December 31, 2015. $4,817,190,000 and $4,507,510,000 of these bonds has been redeemed at December 31, 2021 and 2020, respectively, leaving $415,305,000 and $724,985,000 still outstanding, respectively. 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 Refunding Trust Funds, along with the interest earnings thereon, are pledged solely for the benefit of the holders of the refunded bonds and will be sufficient to pay all interest when due and to redeem at par all refunded bonds unredeemed at December 31, 2021 at various dates prior to or on their original maturities. Since the establishment of each Refunding Trust Fund, the refunded bonds are no longer considered outstanding obligations of the Agency.

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 during the 12 months prior to the July 1st maturity and deposited into the Bond Fund as collected for payment when due. Under the Debt Service Agreement between the Agency and the Members, Principal Debt service costs in the amount of $43,002,500 were collected during 2021. These amounts were deposited monthly into the Bond Fund to provide for the principal payments due July 1, 2021 in the amount of $42,300,000 and a portion of $43,705,000 principal payment due July 1, 2022. Debt service deposit requirements from the designated year's rates for long-term debt outstanding at December 31, 2021 are as follows (in thousands of dollars):

	Principal	Interest	Total
2022	43,705	7,120	50,825
2023	45,260	5,565	50,825
2024	46,985	3,842	50,827
2025	48,845	1,982	50,827
Total	$ 184,795	$ 18,509	$ 203,304

The bonds are special obligations of the Agency, payable solely from and secured solely by (1) revenues (as defined by the Resolution) after payment of 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 revenues (as defined by the Resolution) generated as a result of the Project Power Sales Agreement and the Debt Service Support Agreement. The purpose of the individual funds is specifically defined in the Resolution.

Interest on the bonds is payable semi-annually. The bonds are subject to redemption at any time prior to maturity at the option of the Agency, in whole or in part at the "Make-Whole Redemption Price" defined as the greater of (i) 100% of the principal amount of the 2015 Bonds to be redeemed and (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the 2015 Bonds to be redeemed to the maturity date thereof, not including any portion of those payments of interest accrued and unpaid as of the respective dates on which the 2015 Bonds are to be redeemed, discounted to the respective dates on which the 2015 Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year

G. Bonds (continued)

consisting of 12 30-day months, at the Treasury rate (as defined in the bond issuance documents) plus thirty basis points, plus in each case, accrued and unpaid interest on the 2015 Bonds to be redeemed on the redemption date.

The Resolution (BDR-6-15) establishes that the agency maintains a reserve fund balance from the proceeds of the 2015 Series. As of December 31, 2021, and 2020, the balance of the bond fund reserve was $12,280,000 and $12,077,000, respectively.

The Resolution also establishes a contingency account to be funded with the proceeds of the 2015 bond issuance. As of December 31, 2021, and 2020, the balance of the contingency account was $5,095,000 and $5,094,000, respectively.

H. Duke Energy Progress Settlement with NCUC Public Staff, regarding CCR costs

Wholesale customers of Duke Energy Progress (DEP), including NCEMPA, pay for Coal Combustion Residual (CCR) costs on an as-incurred basis. In January 2021, the Coal Combustion Residual Settlement Agreement was reached among DEP, the NCUC Public Staff, the NC Attorney General's office, and others. The confidential settlement provided for the disallowance of $261M of CCR costs for DEP's retail customers. System-level equivalent reductions were calculated for wholesale customers of DEP. Refunds were conditioned upon wholesale customers not challenging DEP's recovery of future CCR costs. NCEMPA elected to receive these refunds over a 12-month period, starting with the July 2021 service period. The amount of each of these refunds is $5,379,725, for a total of over $64.5M in refunds to NCEMPA. As of December 31, 2021, the amount receivable was $32,278,000 which is included in operating receivables on the statement of net position.

I. Reclassification

Certain amounts in the prior year's presentation have been reclassified to conform to the current year's presentation. The reclassification had no impact on previously reported Net Position or Change in Net Position.

J. Subsequent Events

The Agency has evaluated subsequent events through April 18, 2022, in connection with the preparation of these financial statements which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

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North Carolina Eastern Municipal Power Agency
Schedule of Revenues and Expenses
Per Bond Resolution and Other Agreements
($000's)

	Year Ended December 31, 2021	Year Ended December 31, 2020
Revenues:		
Sales to members/participants	$ 532,563	$ 503,671
Investment income	460	1,081
Other revenues	319	285
Total Revenues	533,342	505,037
Expenses:		
Operation and maintenance	659	432
Fuel	1,208	793
Power coordination services/FRPP:		
Purchased power	428,733	394,389
Transmission and distribution	26,265	21,908
Other	(55,669)	29,279
Total power coordination services/FRPP:	399,329	445,576
Administrative and general	12,083	12,100
Taxes		
Amounts in lieu of taxes	285	298
Total taxes	285	298
Debt service:		
Debt administrative costs	93	94
Debt service	50,823	50,821
Total debt service	50,916	50,915
Total Expenses	464,480	510,114
Revenues Over (Under) Expenses	$ 68,862	$ (5,077)

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, 2021 and 2020.

See Accompanying Report of Independent Auditor.

North Carolina Eastern Municipal Power Agency
Budgetary Comparison Schedule
Years Ended December 31, 2021 and 2020
($000's)

	2021 Budget		Actuals (Budgetary Basis)	Positive (Negative) Variance With Final Budget
	Original	Final		
Revenues:				
Sales to participants	$ 523,793	$ 523,793	$ 532,563	$ 8,770
Investment income	562	562	460	(102)
Other revenues	-	-	319	319
Total Revenues	524,355	524,355	533,342	8,987
Expenses:				
Operation and maintenance	562	562	659	(97)
Fuel	1,502	1,502	1,208	294
Power coordination expenses:				
Purchased power	425,422	425,422	428,733	(3,311)
Transmission and distribution	23,057	23,057	26,265	(3,208)
Other	6,724	6,724	(55,669)	62,393
Total power coordination expenses	455,203	455,203	399,329	55,874
Administrative and general – DEP	12,683	12,683	12,083	600
Taxes	400	400	285	115
Debt service	51,058	51,058	50,916	142
Total Expenses	521,408	521,408	464,480	56,928
Revenues Over Expenses	$ 2,947	$ 2,947	$ 68,862	$ 65,915

Note: The schedules above have 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, 2021 and 2020.

See Accompanying Report of Independent Auditor.

	2020 Budget		Actuals (Budgetary Basis)	Positive (Negative) Variance With Final Budget
	Original	Final		
Revenues:				
Sales to participants	$ 534,855	$ 534,855	$ 503,671	$ (31,184)
Investment income	1,883	1,883	1,081	(802)
Other revenues	-	-	285	285
Total Revenues	536,738	536,738	505,037	(31,701)
Expenses:				
Operation and maintenance	588	588	432	156
Fuel	1,465	1,465	793	672
Power coordination expenses:				
Purchased power	417,873	417,873	394,389	23,484
Transmission and distribution	23,118	23,118	21,908	1,210
Other	37,600	37,600	29,279	8,321
Total power coordination expenses	478,591	478,591	445,576	33,015
Administrative and general – DEP	12,620	12,620	12,100	520
Taxes	400	400	298	102
Debt service	51,057	51,057	50,915	142
Total Expenses	544,721	544,721	510,114	34,607
Revenues Under Expenses	$ (7,983)	$ (7,983)	$ (5,077)	$ 2,906

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

	Funds Invested January 1, 2019	Power Billing Receipts	Invest-ment Income	Receipts (Disburse-ments)	Transfers
Bond Fund:					
Interest account	$ 10,678	$ -	$ 11	$ (9,723)	$ 3,294
Reserve account	12,158	-	200	-	(281)
Principal account	14,729	-	171	(41,100)	47,350
Total Bond Fund	37,565	-	382	(50,823)	50,363
Contingency Fund	5,079	-	86	-	(110)
Revenue Fund	3,532	-	14	-	835
Supplemental Fund	106,905	505,797	1,089	(453,462)	(51,088)
	$ 153,081	$ 505,797	$ 1,571	$ (504,285)	$ -

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, 2021 and 2020.

See Accompanying Report of Independent Auditor.

Funds Invested December 31, 2020	Power Billing Receipts	Invest-ment Income	Receipts (Disburse-ments)	Transfers	Funds Invested December 31, 2021
$ 4,260	$ -	$ 2	$ (8,519)	$ 7,817	$ 3,560
12,077		123	-	80	12,280
21,150		16	(42,300)	42,996	21,862
37,487	-	141	(50,819)	50,893	37,702
5,055		45		42	5,142
4,381		7		149	4,537
109,241	534,332	478	(460,090)	(51,084)	132,877
$ 156,164	$ 534,332	$ 671	$ (510,909)	$ -	$ 180,258