



*2025 Financial Report*



**NORTH CAROLINA EASTERN MUNICIPAL  
POWER AGENCY**

Annual Financial Report  
(With Report of Independent Auditor Thereon)

December 31, 2025 and 2024

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## 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 accompanying financial statements of North Carolina Eastern Municipal Power Agency (the Agency), which comprise the statements of net position as of December 31, 2025 and 2024, 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, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of December 31, 2025 and 2024, and the results of its operations and its cash flows thereof 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 audit. 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 within one year after the date that the financial statements are available to be issued.

### ***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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 a reasonable period of time.

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 is the responsibility of management and, 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise North Carolina Eastern Municipal Power Agency's basic financial statements. The supplementary Schedules of Revenues and Expenses per Bond Resolution and Other Agreements, Budgetary Comparison and Changes in Assets of Funds Invested are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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 Schedules of Revenues and Expenses per Bond Resolution and Other Agreements, Budgetary Comparison and Changes in Assets of Funds Invested are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2026 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Agency's internal control over financial reporting and compliance.

*PBMares, LLP*

Morehead City, North Carolina  
April 15, 2026

## Management’s Discussion and Analysis (MD&A) Unaudited

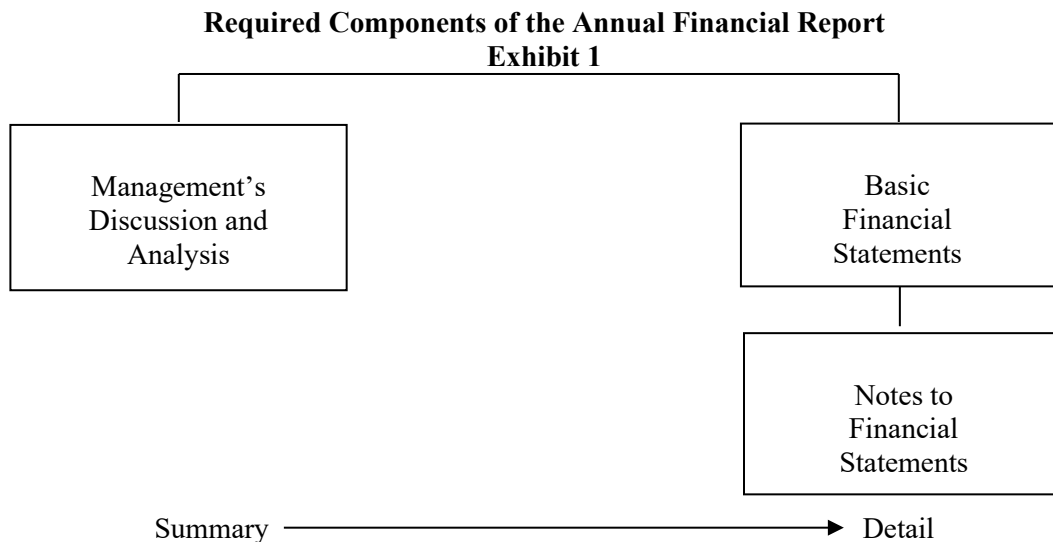
As management of North Carolina Eastern Municipal Power Agency (Agency), we offer this narrative overview and analysis of the financial activities of the Agency for the year ended December 31, 2025 and 2024. We encourage you to read this information in conjunction with the information furnished in the 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 2025 and 2024, the Agency’s assets and deferred outflows exceeded its liabilities and deferred inflows by \$71,667,000 and \$41,340,000 (net position), respectively.
- The Agency’s net position increased by \$30,327,000 for 2025 and decreased by \$25,999,000 for 2024.
- Principal payments were made in the amount of \$48,845,000 and \$46,985,000 during 2025 and 2024 respectively, in accordance with the debt payment schedule.
- The bond ratings are as follows:
  - Standard and Poor’s – A (stable).
  - Fitch – upgraded to A+ in 2025.

### 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.



## **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 32 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 33 to 38 of this report.

## **Financial Analysis**

The electric enterprise fund financial statements for the year ended December 31, 2025 and 2024 are presented in accordance with Governmental Accounting Standards Board.

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

	December 31,		
	2025	2024	2023
<b>Assets and Deferred Outflows of Resources</b>			
Capital assets/Leases	\$ 20,875	\$ 22,063	\$ 23,374
Current and other assets	175,631	205,184	211,774
Deferred outflows of resources	<u>78</u>	<u>7,926</u>	<u>57,649</u>
Total assets and deferred outflows of resources	196,584	235,173	292,797
<b>Liabilities and Deferred Inflows of Resources</b>			
Long-term liabilities outstanding	213	244	49,118
Other liabilities	87,002	147,832	131,198
Deferred inflows of resources	<u>37,702</u>	<u>45,757</u>	<u>45,142</u>
Total liabilities and deferred inflows of resources	124,917	193,833	225,458
<b>Net Position</b>			
Net investment in capital assets	20,626	21,783	23,065
Restricted for debt service	-	8,807	6,473
Unrestricted	<u>51,041</u>	<u>10,750</u>	<u>37,801</u>
Total net position	<u>\$ 71,667</u>	<u>\$ 41,340</u>	<u>\$ 67,339</u>

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 \$71,667,000, \$41,340,000 and \$67,339,000 at December 31, 2025, 2024 and 2023, respectively, representing an increase of \$30,327,000 and decrease of \$25,999,000 in 2025 and 2024, respectively.

A portion of the Agency's net position in the amount of \$20,626,000, \$21,783,000 and \$23,065,000 at December 31, 2025, 2024 and 2023, respectively, is the net investment in capital assets (e.g. land, buildings, distributed generators and equipment) and leases (land).

An additional portion of the Agency's net position of \$0, \$8,807,000 and \$6,473,000 at December 31, 2025, 2024 and 2023, respectively, represents resources that are restricted for the payment of debt service.

The remaining balance of \$51,041,000, \$10,750,000 and \$37,801,000 at December 31, 2025, 2024, 2023 respectively, is unrestricted net position.

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

	Years Ended December 31,		
	2025	2024	2023
<b>Revenues:</b>			
Operating revenues	\$ 600,009	\$ 566,037	\$ 528,431
Nonoperating revenues	3,918	4,578	3,593
Total Revenues	<u>603,927</u>	<u>570,615</u>	<u>532,024</u>
<b>Expenses:</b>			
Operating expenses	573,601	545,071	535,428
Interest on long-term debt	1,021	3,005	4,796
Other nonoperating expenses	(1,022)	48,538	45,583
Total Expenses	<u>573,600</u>	<u>596,614</u>	<u>585,807</u>
Increase/(Decrease) in net position	30,327	(25,999)	(53,783)
Net Position, Beginning of year	41,340	67,339	121,122
<b>Net Position, End of year</b>	<u><u>\$ 71,667</u></u>	<u><u>\$ 41,340</u></u>	<u><u>\$ 67,339</u></u>

**Financial Highlights**

- There was a 3.5% rate increase in 2025, and no rate change in 2024.
- Operating expenses include an estimated FRPPA true-up of \$18,000,000 and \$31,000,000 in 2025 and 2024, respectively.

**Capital Assets and Debt Administration**

**Capital Assets**

The Agency's net investments in capital assets at December 31, 2025, 2024 and 2023 totaled \$20,626,000, \$21,783,000 and \$23,065,000 (net of accumulated amortization and depreciation), respectively. These assets include land, buildings, distributed generators, and equipment.

Major capital asset transactions during 2025 and 2024 include the following:

- Electric Utility Plant and Non-Utility Property and Equipment were depreciated \$1,287,000 and \$1,279,000 for 2025 and 2024, respectively.
- Leases were amortized \$31,000 and \$31,000 for 2025 and 2024, respectively. Additional information regarding the Agency's leases can be found in Note C and Note H.

**Capital Assets**  
**Exhibit 4**  
**(\$000s)**

Electric Utility Plant, Net

	December 31, 2024	Additions	Transfers	Retirements	December 31, 2025
Depreciable Utility Plant					
Electric Utility Plant					
Diesel Generators	\$ 30,602	\$ -	\$ -	\$ -	\$ 30,602
Total Depreciable Utility Plant	30,602				30,602
Accumulated Depreciation					
Electric Plant in Service/Diesel Generators	(10,013)	(1,239)	-	-	(11,252)
Total Accumulated Depreciation	(10,013)	(1,239)	-	-	(11,252)
Depreciable Utility Plant/Diesel Generators, Net	20,589	(1,239)	-	-	19,350
Land and Other Non-Depreciable Assets					
Land	474	-	-	-	474
Total Electric Utility Plant, Net	\$ 21,063	\$ (1,239)	\$ -	\$ -	\$ 19,824

	December 31, 2023	Additions	Transfers	Retirements	December 31, 2024
Depreciable Utility Plant					
Electric Utility Plant					
Diesel Generators	\$ 30,602	\$ -	\$ -	\$ -	\$ 30,602
Total Depreciable Utility Plant	30,602	-	-	-	30,602
Accumulated Depreciation					
Electric Plant in Service/Diesel Generators	(8,774)	(1,239)	-	-	(10,013)
Total Accumulated Depreciation	(8,774)	(1,239)	-	-	(10,013)
Depreciable Utility Plant/Diesel Generators, Net	21,828	(1,239)	-	-	20,589
Land and Other Non-Depreciable Assets					
Land	474	-	-	-	474
Total Electric Utility Plant, Net	\$ 22,302	\$ (1,239)	\$ -	\$ -	\$ 21,063

## Non-Utility Plant and Equipment, Net

	December 31,				December 31,
	2024	Additions	Transfers	Retirements	2025
Non-Utility Property and Equipment					
Property and Equipment	\$ 1,544	\$ 130	\$ -	\$ -	\$ 1,674
Accumulated Depreciation	(1,511)	(48)	-	-	(1,559)
Total Depreciable Property and Equipment, Net	33	82	-	-	115
Land	710	-	-	-	710
Total Non-Utility Property and Equipment, Net	<u>\$ 743</u>	<u>\$ 82</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 825</u>
	December 31,				December 31,
	2023	Additions	Transfers	Retirements	2024
Non-Utility Property and Equipment					
Property and Equipment	\$ 1,544	\$ -	\$ -	\$ -	\$ 1,544
Accumulated Depreciation	(1,471)	(40)	-	-	(1,511)
Total Depreciable Property and Equipment, Net	73	(40)	-	-	33
Land	710	-	-	-	710
Total Non-Utility Property and Equipment, Net	<u>\$ 783</u>	<u>\$ (40)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 743</u>

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, 2025, 2024 and 2023 was \$0, \$48,845,000 and \$95,830,000, respectively, all of which consists of bonds issued during 2015. Total debt decreased by \$48,845,000 and \$46,985,000 during 2025 and 2024, respectively, due to principal payments made in accordance with the debt service schedule.

The bond ratings are as follows:

- Standard and Poor's – A (stable).
- Fitch – upgraded to A+ in 2025.

Additional information regarding the Agency's long-term debt can be found in Note G beginning on page 29 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

### **Economic Factors**

The following key economic factors played a role in the 2025 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 .89% annually for the next 10 years for the Agency based on current economic projections and anticipated improvements in end-use energy efficiency.
- Henry Hub natural gas prices are expected to trend upward, supported by growing LNG export demand, tighter supply-demand balances, and continued market volatility.
- The long-term price outlook for coal prices are projected to soften due to weak global demand and high inventories, though rising natural gas prices may provide some support for coal consumption over the longer term.

### **Budget Highlights for 2026**

- Forecasts a 4.5% overall wholesale rate change in 2026. This rate change was recommended and approved by the January 2026 Rate Committee, effective April 1, 2026.
- Final debt payment was made on July 1, 2025, and previously restricted funds were released into working capital. The January 2026 Rate Committee approved the recommendation that these funds be returned to members as a one-time credit in April 2026.
- Forecasts a 4.9% increase in Power Agency Services for 2026.
- Projects a 10-year average annual load growth of 1.1% for energy and 1.0% 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,	
	2025	2024
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Capital Assets (Note C):		
Electric Utility Plant, Net		
Electric plant in service/Diesel Generators	\$ 31,076	\$ 31,076
Accumulated depreciation	<u>(11,252)</u>	<u>(10,013)</u>
Total Electric Utility Plant, Net	<u>19,824</u>	<u>21,063</u>
Non-Utility Property and Equipment, Net		
Property and equipment	2,384	2,254
Accumulated depreciation	<u>(1,559)</u>	<u>(1,511)</u>
Total Non-Utility Property and Equipment, Net	<u>825</u>	<u>743</u>
Net Book Value Capital Assets	<u>20,649</u>	<u>21,806</u>
Leases (Note C)	413	413
Accumulated amortization-leases	<u>(187)</u>	<u>(156)</u>
Total Leases	<u>226</u>	<u>257</u>
Total Capital Assets/Leases	<u>20,875</u>	<u>22,063</u>
Restricted Assets		
Special Funds Invested (Note D):		
Revenue fund	-	8,777
Bond fund	-	37,588
Contingency fund	-	5,085
Total Special Funds Invested	<u>-</u>	<u>51,450</u>
Total Restricted Assets	<u>-</u>	<u>51,450</u>
Unrestricted Assets		
Funds Invested (Note D):		
Supplemental fund	<u>9,107</u>	<u>-</u>
Total Unrestricted Assets	<u>9,107</u>	<u>-</u>
Total Non-Current Assets	<u>29,982</u>	<u>73,513</u>
<b>Current Assets</b>		
Funds Invested (Note D):		
Supplemental fund	<u>92,667</u>	<u>83,911</u>
Total Funds Invested	<u>92,667</u>	<u>83,911</u>
Participant/members accounts receivable	55,024	51,670
Renewable Energy Certificate Inventory (Note E)	14,915	14,700
Prepaid expenses	<u>3,918</u>	<u>3,453</u>
Total Current Assets	<u>166,524</u>	<u>153,734</u>
Total Assets	<u>\$ 196,506</u>	<u>\$ 227,247</u>

See accompanying Notes to Financial Statements.

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

	December 31,	
	2025	2024
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Unamortized debt issuance costs	\$ -	\$ 40
Costs To Be Recovered (Note F)	78	7,886
Total Deferred Outflows of Resources	78	7,926
<b>LIABILITIES</b>		
Non-Current Liabilities		
Long-Term Lease Liability (Note H)	213	244
Total Non-Current Liabilities	213	244
Current Liabilities		
Operating Liabilities:		
Short-term lease liability (Note H)	30	30
Accrued Interest Liability-Leases	6	6
Accounts payable	86,966	97,960
Total Operating Liabilities	87,002	97,996
Special Funds Liabilities:		
Current maturities of bonds (Note G)	-	48,845
Accrued interest on bonds	-	991
Total Special Funds Liabilities	-	49,836
Total Current Liabilities	87,002	147,832
Total Liabilities	87,215	148,076
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Collections To Be Expended (Note F)	37,702	45,757
Total Deferred Inflows of Resources	37,702	45,757
<b>NET POSITION</b>		
Net investment in capital assets	20,626	21,783
Restricted for debt service	-	8,807
Unrestricted	51,041	10,750
Total Net Position	\$ 71,667	\$ 41,340

See accompanying Notes to Financial Statements.

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

	Years Ended December 31,	
	2025	2024
<b>Operating Revenues:</b>		
Sales to participants/members	\$ 598,856	\$ 565,152
Other revenues	1,153	885
Total Operating Revenues	<u>600,009</u>	<u>566,037</u>
<b>Operating Expenses:</b>		
Operation and maintenance	1,446	727
Fuel	1,525	1,267
Power coordination services/FRPP:		
Purchased power	511,832	470,551
Transmission and distribution	38,440	31,336
Other	3,070	25,135
Total power coordination services	<u>553,342</u>	<u>527,022</u>
Administrative and general	15,770	14,539
Amounts in lieu of taxes	200	206
Depreciation	1,287	1,279
Amortization leases (Note H)	31	31
Total Operating Expenses	<u>573,601</u>	<u>545,071</u>
Operating Income (Loss)	<u>26,408</u>	<u>20,966</u>
<b>Nonoperating (Revenues) Expenses</b>		
Investment income	(3,918)	(4,578)
Net (increase) in fair value of investments	(823)	(1,809)
Interest expense	1,021	3,005
Interest Expense - Leases (Note H)	8	8
Amortization of debt issuance costs	40	75
Net decrease in costs to be recovered (Note F)	7,808	49,649
Net (decrease)/increase in collections to be expended (Note F)	(8,055)	615
Total nonoperating expenses	<u>(3,919)</u>	<u>46,965</u>
Decrease in Net Position	30,327	(25,999)
Net Position, Beginning of the year	41,340	67,339
Net Position, End of the year	<u>\$ 71,667</u>	<u>\$ 41,340</u>

See accompanying Notes to Financial Statements.

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

	Years Ended December 31,	
	2025	2024
<b>Cash Flows from Operating Activities:</b>		
Receipts from sales of electricity	\$ 596,655	\$ 558,342
Payments of operating expenses	(583,957)	(528,357)
Net cash (used in)/provided by operating activities	12,698	29,985
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Additions to Utility Plant & Non-Utility Property	(130)	-
Interest paid	(2,021)	(3,942)
Lease Principal Payment	(30)	(30)
Bonds Principal Payment	(48,845)	(46,985)
Net cash used for capital and related financing activities	(51,026)	(50,957)
<b>Cash Flows from Investing Activities:</b>		
Sales and maturities of investment securities	1,070,529	952,858
Purchases of investment securities	(1,034,716)	(934,561)
Investment earnings receipts	2,496	2,613
Net cash provided by investing activities	38,309	20,910
Net Change in Operating Cash	(19)	(62)
Operating Cash, Beginning of year	26	88
Operating Cash, End of year	\$ 7	\$ 26
<b>Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating Income/(Loss)	\$ 26,408	\$ 20,966
Adjustments:		
Depreciation	1,287	1,279
Amortization leases	31	31
Changes in assets and liabilities:		
Decrease/(increase) in participant accounts receivable	(3,354)	(7,695)
Decrease in operating receivable	-	10
(Increase) in prepaid expenses	(465)	(248)
Decrease/(increase) in renewable energy certificate inventory	(215)	(62)
(Decrease)/increase in accounts payable	(10,994)	15,704
Total Adjustments	(13,710)	9,019
Net Cash Provided/(Used) by Operating Activities	\$ 12,698	\$ 29,985

See accompanying Notes to Financial Statements.

**North Carolina Eastern Municipal Power Agency**  
**Notes to Financial Statements**  
**Years Ended December 31, 2025 and 2024**

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**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 the Agency has agreed to provide to the Members under the Full Requirements Power Sales Agreements, the 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 the 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 the Agency and the provision of service to other wholesale and retail DEP customers.

Under the FRPPA, DEP charges the Agency a monthly capacity charge and monthly energy charge. The monthly capacity charge for each month is determined by applying the measured demand of the 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 the Agency in a given month. Under the FRPPA, DEP also charges the 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 the Agency are based on DEP's system wide average cost of producing power and energy.

On December 17, 2021 DEP submitted a filing to the Federal Energy Regulatory Commission (FERC) to adjust the billing determinant used to calculate the capacity charge under the FRPPA. An adjustment to the capacity billing determinant would be made in any month that the difference between the Agency's non-coincident peak billing demand minus the Agency's coincident-peak billing demand exceeds a predetermined threshold. On February 28, 2022 FERC accepted DEP's filing to become effective March 1, 2022, subject to refund, and established hearing and settlement judge procedures. Per the filing dated July 7, 2023, DEP and the Agency entered into a settlement agreement in which the ninth amended and restated FRPPA agreement would be effective from March 1, 2022 through December 31, 2022. Additionally, the ninth amended restated FRPPA agreement was replaced with the tenth amended and restated FRPPA with a FERC effective date of January 1, 2023.

The term of the FRPPA continues through December 31, 2043. The 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 was July 1, 2025.

**North Carolina Eastern Municipal Power Agency**  
**Notes to Financial Statements**  
**Years Ended December 31, 2025 and 2024**

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**A. General Matters (Continued)**

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.

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, 2021 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 \$16,229,000 and \$14,318,000 for the years ended December 31, 2025 and 2024, 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. Net position previously restricted for debt service was reclassified to unrestricted net position upon the elimination of the related debt obligation in July 2025. Unrestricted net position may be utilized for any purpose approved by the Board through the budget process.

**North Carolina Eastern Municipal Power Agency**  
**Notes to Financial Statements**  
**Years Ended December 31, 2025 and 2024**

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**B. Significant Accounting Policies (Continued)**

Electric Plant in Service

The Agency installed 20MW of diesel generation (DG) 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 FRPPA with 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.

Leases

The Agency has adopted GASB Statement No. 87 "Leases" See note H. The capitalized threshold for leases is \$5,000 effective January 1, 2021.

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.

**North Carolina Eastern Municipal Power Agency**  
**Notes to Financial Statements**  
**Years Ended December 31, 2025 and 2024**

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**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 \$6,942 and \$9,936 at December 31, 2025 and 2024, respectively, and is included on the statement of net position in the line item "Current Assets: Funds Invested". Restricted cash of \$0 and \$15,855 at December 31, 2025 and 2024, 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.

**North Carolina Eastern Municipal Power Agency**  
**Notes to Financial Statements**  
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**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.

Recently Adopted GASB Standards

In June of 2022, GASB issued Statement No. 100, “Accounting Changes and Error Corrections”. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The Statement is effective for accounting changes and error corrections beginning after June 15, 2023 and did not have a material impact on the Agency’s financial position, overall cash flow or balances or results of operations.

In June of 2022, GASB issued Statement No. 101, “Compensated Absences”. The primary objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

In December of 2023, GASB issued Statement No. 102, “Certain Risk Disclosures”. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government’s highest level of decision-making authority. Concentrations and constraints may limit a government’s ability to acquire resources or control spending. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter, and did not have a material impact on the Agency’s financial position, overall cash flow balances, or results from operations.

**North Carolina Eastern Municipal Power Agency**  
**Notes to Financial Statements**  
**Years Ended December 31, 2025 and 2024**

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**B. Significant Accounting Policies (Continued)**

Future Accounting Standards

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

In April 2024, GASB issued Statement No. 103, “Financial Reporting Model Improvements”. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This Statement also addresses certain application issues. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

In September 2024, GASB issued Statement No. 104, “Disclosure of Certain Capital Assets”. The objective of this Statement is to improve financial reporting by providing users of financial statements with essential information about certain types of capital assets in order to make informed decisions and assess accountability. Additionally, the disclosure requirements will improve consistency and comparability between governments. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

In December 2025, GASB issued Statement No. 105, “Subsequent Events”. The objective of this Statement is to improve financial reporting by establishing clearer, more consistent standards for identifying and disclosing events occurring between the financial statement date and when they are available to be issued. It enhances transparency for users by refining definitions of recognized and non-recognized events, standardizing the evaluation period, and requiring disclosure of the specific date through which events were reviewed. The requirements of this Statement are effective for fiscal years beginning after June 15, 2026, and all reporting periods thereafter. Earlier application is encouraged.

**North Carolina Eastern Municipal Power Agency**  
**Notes to Financial Statements**  
**Years Ended December 31, 2025 and 2024**

**C. Capital Assets**

Property, Plant and Equipment

Changes in components of electric utility plant, net during 2025 and 2024 are as follows (in thousands of dollars):

	December 31, 2024	Additions	Transfers	Retirements	December 31, 2025
Depreciable Utility Plant					
Electric Utility Plant					
Diesel Generators	\$ 30,602	\$ -	\$ -	\$ -	\$ 30,602
Total Depreciable Utility Plant	30,602				30,602
Accumulated Depreciation					
Electric Plant in Service/Diesel Generators	(10,013)	(1,239)	-	-	(11,252)
Total Accumulated Depreciation	(10,013)	(1,239)	-	-	(11,252)
Depreciable Utility Plant/Diesel Generators, Net	20,589	(1,239)	-	-	19,350
Land and Other Non-Depreciable Assets					
Land	474	-	-	-	474
Total Electric Utility Plant, Net	\$ 21,063	\$ (1,239)	\$ -	\$ -	\$ 19,824

	December 31, 2023	Additions	Transfers	Retirements	December 31, 2024
Depreciable Utility Plant					
Electric Utility Plant					
Diesel Generators	\$ 30,602	\$ -	\$ -	\$ -	\$ 30,602
Total Depreciable Utility Plant	30,602	-	-	-	30,602
Accumulated Depreciation					
Electric Plant in Service/Diesel Generators	(8,774)	(1,239)	-	-	(10,013)
Total Accumulated Depreciation	(8,774)	(1,239)	-	-	(10,013)
Depreciable Utility Plant/Diesel Generators, Net	21,828	(1,239)	-	-	20,589
Land and Other Non-Depreciable Assets					
Land	474	-	-	-	474
Total Electric Utility Plant, Net	\$ 22,302	\$ (1,239)	\$ -	\$ -	\$ 21,063



**North Carolina Eastern Municipal Power Agency**  
**Notes to Financial Statements**  
**Years Ended December 31, 2025 and 2024**

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**C. Capital Assets (Continued)**

The Agency monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

The Agency has recorded one right to use lease asset. The asset is a right to use land in Pitt County for the purpose of siting and operating 20MW of diesel generators. The lease is for a term of twenty years beginning April 1, 2013 and requires annual payment before April 1 of each year. The payment may be revised for the subsequent five-year period after 2018 with an increase no greater than five percent. For the next five-year period 2026-2027 the lease payment will be set at \$37,904, and 2028-2030 the lease payment will be set at \$39,799. The lease liability is measured at a discount rate of 2.75%.

Leases activity for the year ended December 31, 2025 was as follows:

	(\$000)			
	December 31, 2024	Additions	Deletions	December 31, 2025
Leases				
Land	\$ 413	\$ -	\$ -	\$ 413
Accumulated Amortization				
Land	(156)	(31)	-	(187)
Total Leases, Net	<u>\$ 257</u>	<u>\$ (31)</u>	<u>\$ -</u>	<u>\$ 226</u>

**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.

**North Carolina Eastern Municipal Power Agency**  
**Notes to Financial Statements**  
**Years Ended December 31, 2025 and 2024**

**D. Investments (Continued)**

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

	Method of Valuation	December 31,		December 31,	
		2025		2024	
		Cost Basis	Reported Value	Cost Basis	Reported Value
U.S. Government Agencies	Fair Value Level 2	\$ 12,001	\$ 11,994	\$ 37,601	\$ 37,491
Treasury Coupons	Fair Value Level 1	25,157	25,054	34,239	33,974
Treasury Discount Notes	Fair Value Level 1	10,014	10,004	331	338
Commercial Paper	Fair Value Level 2	-	-	4,214	4,297
North Carolina Investment Pool	Fair Value Level 1	24,354	24,354	32,401	32,401
NC Capital Management Trust -Government Portfolio	Fair Value Level 1	29,812	29,812	26,550	26,550
Sub-total funds invested		101,338	101,218	135,336	135,051
Cash					
Unrestricted cash		7	7	10	10
Restricted cash		-	-	16	16
Accrued interest		549	549	284	284
Total funds invested		\$ 101,894	\$ 101,774	\$ 135,646	\$ 135,361
Consisting of:					
Unrestricted Assets			\$ 101,774		\$ 83,911
Restricted Assets			-		51,450
Total funds invested			\$ 101,774		\$ 135,361

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.

**North Carolina Eastern Municipal Power Agency**  
**Notes to Financial Statements**  
**Years Ended December 31, 2025 and 2024**

**D. Investments (Continued)**

As of December 31, 2025, and 2024, the maturities of the Agency's investments are as follows (in thousands of dollars):

	December 31, 2025			
	Reported Value	Investment Maturity (In Years)		
		Under 1	1-5	Over 10
U.S. government agencies	\$ 11,994	\$ 5,990	\$ 6,004	\$ -
Treasury State and Local Government Securities				
Treasury Coupons	25,054	21,951	3,103	-
Treasury Discount Notes	10,004	10,004	-	-
NC Investment Pool	24,354	24,354	-	-
NC Capital Management Trust	29,812	29,812	-	-
Total	<u>\$ 101,218</u>	<u>\$ 92,111</u>	<u>\$ 9,107</u>	<u>\$ -</u>

	December 31, 2024			
	Reported Value	Investment Maturity (In Years)		
		Under 1	1-5	Over 10
U.S. government agencies	\$ 37,491	\$ 31,574	\$ 5,917	\$ -
Treasury State and Local Government Securities				
Treasury Coupons	33,974	25,213	8,761	-
Treasury Discount Notes	338	338	-	-
Commercial Paper	4,297	4,297	-	-
NC Investment Pool	32,401	32,401	-	-
NC Capital Management Trust	26,550	26,550	-	-
Total	<u>\$ 135,051</u>	<u>\$ 120,373</u>	<u>\$ 14,678</u>	<u>\$ -</u>

**North Carolina Eastern Municipal Power Agency**  
**Notes to Financial Statements**  
**Years Ended December 31, 2025 and 2024**

**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, 2025, and 2024, 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 Trust's Government Portfolio are rated AAAM by Standard and Poor's Corporation. 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, 2025 and 2024 the Agency's investments, by issuer, are detailed in the following schedule (in thousands of dollars):

	<u>December 31, 2025</u>		<u>December 31, 2024</u>	
	<u>Reported Value</u>	<u>Percentage of Portfolio</u>	<u>Reported Value</u>	<u>Percentage of Portfolio</u>
Federal Home Loan Mortgage Corporation	\$ -	0%	\$ 2,918	2%
Federal National Mortgage Association	-	0%	7,738	6%
Federal Home Loan Bank	-	0%	20,426	15%
Federal Farm Credit Bank	11,994	12%	6,409	5%
Commercial Paper:				
Societe Generale	-	0%	4,297	3%
NC Capital Management Trust	29,812	29%	26,550	20%
North Carolina Investment Pool	24,354	24%	32,401	24%
U.S. Treasury Department	35,058	35%	34,312	25%
Total	<u>\$101,218</u>	<u>100%</u>	<u>\$135,051</u>	<u>100%</u>

**North Carolina Eastern Municipal Power Agency**  
**Notes to Financial Statements**  
**Years Ended December 31, 2025 and 2024**

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**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, 2025 and 2024, the Agency had \$6,942 and \$25,791, respectively, covered by federal depository insurance.

**E. Renewable Energy Certificate Inventory**

The following show RECs activity during 2025 and 2024 (in thousands of dollars):

	December 2024	Additions and other adjustments	Retirements	December 2025
RECs	\$ 14,700	\$ 3,379	\$ (3,164)	\$ 14,915
	December 2023	Additions and other adjustments	Retirements	December 2024
RECs	\$ 14,638	\$ 3,128	\$ (3,066)	\$ 14,700

**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.

**North Carolina Eastern Municipal Power Agency**  
**Notes to Financial Statements**  
**Years Ended December 31, 2025 and 2024**

**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,	
	2025	2024	2025	2024
<b>Costs To Be Recovered</b>				
Net decrease/(increase) in fair value of investments	\$ (823)	\$ (1,809)	\$ 78	\$ 901
Participant billing offsets	(24,383)	(47,839)	(419,775)	(395,392)
Defeased Bonds	17,398	-	419,775	402,377
Costs To Be Recovered	<u>\$ (7,808)</u>	<u>\$ (49,648)</u>	<u>\$ 78</u>	<u>\$ 7,886</u>

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

	Year Ended December 31,		Inception to December 31,	
	2025	2024	2025	2024
<b>Collections To Be Expended</b>				
Net special funds withdrawals	\$ -	\$ -	\$ 35,738	\$ 35,738
Restricted investment income	(6,689)	1,832	-	6,689
Special funds valuations	(154)	-	-	154
Depreciation and amortization	(1,286)	(1,279)	(12,810)	(11,524)
Other collections to be expended	74	62	14,774	14,700
Net Collections To Be Expended	<u>\$ (8,055)</u>	<u>\$ 615</u>	<u>\$ 37,702</u>	<u>\$ 45,757</u>

**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.

**North Carolina Eastern Municipal Power Agency**  
**Notes to Financial Statements**  
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**G. Bonds (Continued)**

The following shows bond activity during 2025 and 2024 (in thousands of dollars):

Summary of Changes in Long Term Liabilities					
	Balance 12/31/2024	Additions	Reductions	Balance 12/31/2025	Amount Due within one year
Bonds Payable	\$ 48,845	\$ -	\$ (48,845)	\$ -	\$ -
	Balance 12/31/2023	Additions	Reductions	Balance 12/31/2024	Amount Due within one year
Bonds Payable	\$ 95,830	\$ -	\$ (46,985)	\$ 48,845	\$ 48,845

	2025	2024
Bonds Outstanding - Beginning of year	\$ 48,845	\$ 95,830
Principal payments July 1	(48,845)	(46,985)
Net Bonds Outstanding after Principal Payment	\$ -	\$ 48,845

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

	December 31, 2025	December 31, 2024
Series 2015A		
4.058% maturing in 2025	\$ -	\$ 48,845
	-	48,845
Total Bonds Outstanding	-	48,845
Current maturities of bonds	-	(48,845)
Long-Term Debt, Bonds Payable	\$ -	\$ -

The fair market value of the Agency's long-term debt was estimated using a yield curve derived from December 31, 2025 and 2024 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 \$0 and \$48,652,463 at December 31, 2025 and 2024, respectively.

**North Carolina Eastern Municipal Power Agency**  
**Notes to Financial Statements**  
**Years Ended December 31, 2025 and 2024**

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**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. \$5,212,190,000 and \$5,195,315,000 of these bonds have been redeemed at December 31, 2025 and 2024, leaving \$20,305,000 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 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, 2025 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.

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 \$48,845,000 were collected during 2025. These amounts were deposited monthly into the Bond Fund to provide for the principal payments due July 1, 2025 in the amount of \$48,845,000. Because bonds were paid off in 2025, there is no debt service deposit requirements from the designated year's rates for short-term debt outstanding at December 31, 2025.

The bonds were 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 required 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.

The Resolution (BDR-6-15) established that the Agency maintains a reserve fund balance from the proceeds of the 2015 Series. As of December 31, 2025, and 2024, the balance of the bond fund reserve was \$0 and \$12,153,000, respectively.

The Resolution also established a contingency account to be funded with the proceeds of the 2015 bond issuance. As of December 31, 2025, and 2024, the balance of the contingency account was \$0 and \$5,085,000, respectively.

**North Carolina Eastern Municipal Power Agency**  
**Notes to Financial Statements**  
**Years Ended December 31, 2025 and 2024**

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**H. Lease Liabilities**

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2025 were as follows:

Years ending December 31	Principal Payment	Interest Payment	Total
2026	\$ 30	\$ 7	\$ 37
2027	31	7	38
2028	35	5	40
2029	35	5	40
2030	36	4	40
2031-2032	76	3	79
	\$ 243	\$ 31	\$ 274

**I. Subsequent Events**

On July 1, 2025, the final debt payment was made, and as a result, previously restricted funds were released into working capital. In January 2026, the Rate Committee approved the recommendation that these released funds, totaling \$28,180,000, will be returned to members as a one-time credit in April 2026.

The Agency has evaluated subsequent events through April 15, 2026, 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 Eastern Municipal Power Agency**  
**Schedule of Revenues and Expenses**  
**Per Bond Resolution and Other Agreements**  
**(\$000's)**

	Years Ended December 31,	
	2025	2024
<b>Revenues:</b>		
Sales to members/participants	\$ 598,856	\$ 565,152
Investment income	2,672	2,746
Other revenues	26,639	885
Total Revenues	628,167	568,783
<b>Expenses:</b>		
Operation and maintenance	1,485	766
Fuel	1,525	1,267
Power coordination services/FRPP:		
Purchased power	511,832	470,551
Transmission and distribution	38,440	31,336
Other	3,144	25,197
Total power coordination services/FRPP:	553,416	527,084
Administrative and general	15,770	14,539
Taxes		
Amounts in lieu of taxes	200	206
Total taxes	200	206
Debt service:		
Debt administrative costs	30	93
Debt service	25,414	50,827
Total debt service	25,444	50,920
Total Expenses	597,840	594,782
Revenues Over/(Under) Expenses	\$ 30,327	\$ (25,999)
 <b>Reconciliation of Bond Resolution Basis to GAAP</b>		
Total Revenues	\$ 628,167	\$ 568,783
Total Expenses	597,840	594,782
Revenues(Under) Expenses	30,327	(25,999)
<b>Decrease in Net Position (Pg. 14)</b>	<b>\$ 30,327</b>	<b>\$ (25,999)</b>

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, 2025 and 2024.

See Accompanying Report of Independent Auditor.

**North Carolina Eastern Municipal Power Agency**  
**Budgetary Comparison Schedule**  
**Years Ended December 31, 2025 and 2024**  
**(\$000's)**

	2025 Budget		Actuals (Budgetary Basis)	Positive (Negative) Variance With Final Budget
	Original	Final		
<b>Revenues:</b>				
Sales to participants	\$ 585,319	\$ 585,319	\$ 598,856	\$ 13,537
Investment income	2,643	2,643	2,672	29
Other revenues	-	-	26,639	26,639
Total Revenues	<u>587,962</u>	<u>587,962</u>	<u>628,167</u>	<u>40,205</u>
<b>Expenses:</b>				
Operation and maintenance	1,856	1,856	1,485	371
Fuel	2,103	2,103	1,525	578
Power coordination expenses:				
Purchased power	479,625	499,625	511,832	(12,207)
Transmission and distribution	37,646	37,646	38,440	(794)
Other	6,061	6,061	3,144	2,917
Total power coordination expenses	<u>523,332</u>	<u>543,332</u>	<u>553,416</u>	<u>(10,084)</u>
Administrative and general	16,083	16,583	15,770	813
Taxes	250	250	200	50
Debt service	25,549	25,549	25,444	105
Total Expenses	<u>569,173</u>	<u>589,673</u>	<u>597,840</u>	<u>(8,167)</u>
Appropriated balances	<u>18,789</u>	<u>(1,711)</u>	<u>30,327</u>	<u>(32,038)</u>
Revenues Under Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2025 and 2024. Additionally, some items have been reclassified for comparative purposes.

See Accompanying Report of Independent Auditor.

**North Carolina Eastern Municipal Power Agency**  
**Budgetary Comparison Schedule**  
**Years Ended December 31, 2025 and 2024**  
**(\$000's)**

	2024 Budget		Actuals (Budgetary Basis)	Positive (Negative) Variance With Final Budget
	Original	Final		
<b>Revenues:</b>				
Sales to participants	\$ 579,099	\$ 579,099	\$ 565,152	\$ (13,947)
Investment income	3,290	3,290	2,746	(544)
Other revenues	-	-	885	885
Total Revenues	<u>582,389</u>	<u>582,389</u>	<u>568,783</u>	<u>(13,606)</u>
<b>Expenses:</b>				
Operation and maintenance	1,233	1,233	766	467
Fuel	2,208	2,208	1,267	941
Power coordination expenses:				
Purchased power	479,493	492,493	470,551	21,942
Transmission and distribution	33,796	33,796	31,336	2,460
Other	4,695	4,695	25,197	(20,502)
Total power coordination expenses	<u>517,984</u>	<u>530,984</u>	<u>527,084</u>	<u>3,900</u>
Administrative and general	15,391	15,391	14,539	852
Taxes	400	400	206	194
Debt service	50,962	50,962	50,920	42
Total Expenses	<u>588,178</u>	<u>601,178</u>	<u>594,782</u>	<u>6,396</u>
Appropriated balances	<u>(5,789)</u>	<u>(18,789)</u>	<u>(25,999)</u>	<u>7,210</u>
Revenues Under Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Accompanying Report of Independent Auditor.

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

	Funds Invested January 1, 2024	Power Billing Receipts	Invest- ment Income	Receipts (Disburse- ments)	Transfers
Bond Fund:					
Interest account	\$ 1,924	\$ -	\$ 50	\$ (3,886)	\$ 2,910
Reserve account	12,621	-	276	(1,331)	-
Principal account	23,528	-	1,310	(47,643)	47,910
Total Bond Fund	38,073	-	1,636	(52,860)	50,820
Contingency Fund	5,256	-	129	(269)	-
Revenue Fund	6,446	-	69	2,304	(36)
Supplemental Fund	102,881	558,859	2,749	(529,011)	(50,784)
	<u>\$ 152,656</u>	<u>\$ 558,859</u>	<u>\$ 4,583</u>	<u>\$ (579,836)</u>	<u>\$ -</u>

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, 2025 and 2024.

See Accompanying Report of Independent Auditor.

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Funds Invested December 31, 2024	Power Billing Receipts	Invest- ment Income	Receipts (Disburse- ments)	Transfers	Funds Invested December 31, 2025
\$ 998	\$ -	\$ 17	\$ (1,685)	\$ 673	\$ 3
11,566	-	219	1,677	(14,145)	(683)
25,105	-	861	(45,005)	19,719	680
37,669	-	1,097	(45,013)	6,247	-
5,116	-	99	717	(5,932)	-
8,783	-	50	(6,530)	(2,303)	-
84,694	598,158	2,683	(585,671)	1,988	101,852
\$ 136,262	\$ 598,158	\$ 3,929	\$ (636,497)	\$ -	\$ 101,852



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of North Carolina Eastern Muncipal Power Agency (the Agency), which are comprised of the statement of net position as of December 31, 2025, and the related statements of revenue and expenses and changes in net position, and cash flows for the year ended December 31, 2025, and the related notes to the financial statements, and have issued our report thereon dated April 15, 2026.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*PBMares, LLP*

Morehead City, North Carolina  
April 15, 2026