NCEMPA

2024 Financial Report

NORTH CAROLINA EASTERN MUNICIPAL POWER AGENCY

Annual Financial Report
(With Report of Independent Auditor Thereon)

December 31, 2024 and 2023

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PBMares
CPAs and Consultants

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, 2024 and 2023, 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 accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of December 31, 2024 and 2023, 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 for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 18, 2025 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 18, 2025

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, 2024 and 2023. 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.

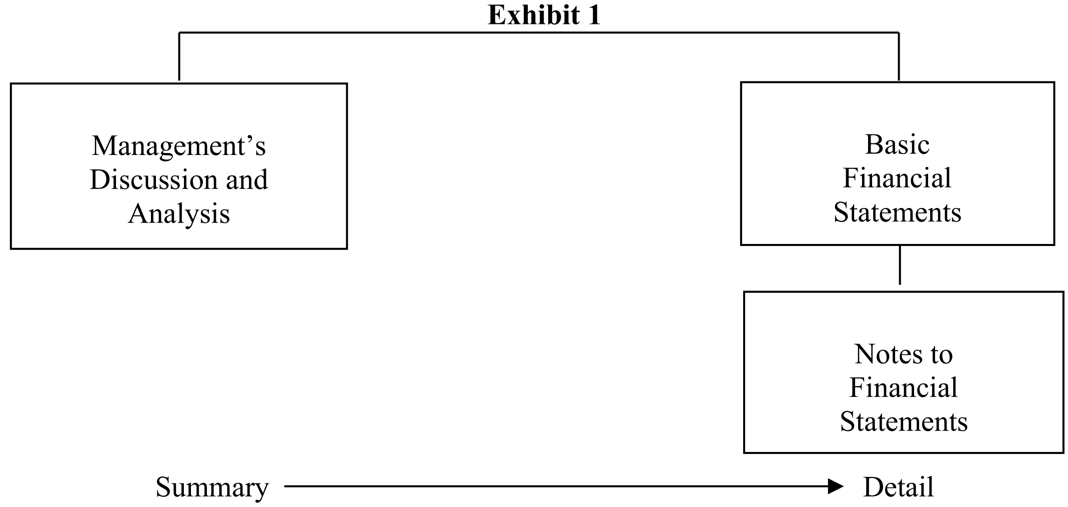
Financial Highlights

- The Agency's basic financial statements consist of a single electric enterprise fund.
- At year-end 2024 and 2023, the Agency's assets and deferred outflows exceeded its liabilities and deferred inflows by $41,340,000 and $67,339,000 (net position), respectively.
- The Agency's net position decreased by $25,999,000 and $53,783,000 for 2024 and 2023, respectively.
- Principal payments were made in the amount of $46,985,000 and $45,260,000 during 2024 and 2023 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 2024 and 2023.

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 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, 2024 and 2023 are presented in accordance with Governmental Accounting Standards Board.

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

	December 31, 2024	2023	2022
Assets and Deferred Outflows of Resources			
Capital assets/Leases	$ 22,063	$ 23,374	$ 24,684
Current and other assets	205,184	211,774	269,786
Deferred outflows of resources	7,926	57,649	106,981
Total assets and deferred outflows of resources	235,173	292,797	401,451
Liabilities and Deferred Inflows of Resources			
Long-term liabilities outstanding	244	49,118	96,132
Other liabilities	147,832	131,198	138,507
Deferred inflows of resources	45,757	45,142	45,690
Total liabilities and deferred inflows of resources	193,833	225,458	280,329
Net Position			
Net investment in capital assets	21,783	23,065	24,684
Restricted for debt service	8,807	6,473	4,066
Unrestricted	10,750	37,801	92,372
Total net position	$ 41,340	$ 67,339	$ 121,122

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 $41,340,000, $67,339,000 and $121,122,000 at December 31, 2024, 2023 and 2022, respectively, representing a decrease of $25,999,000 and $53,783,000 in 2024 and 2023, respectively.

A portion of the Agency's net position in the amount of $21,783,000, $23,065,000 and $24,684,000 at December 31, 2024, 2023 and 2022, 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 $8,807,000, $6,473,000 and $4,066,000 at December 31, 2024, 2023 and 2022, respectively, represents resources that are restricted for the payment of debt service.

The remaining balance of $10,750,000, $37,801,000 and $92,372,000 at December 31, 2024, 2023, 2022 respectively, is unrestricted net position.

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

	Years Ended December 31, 2024	2023
Revenues:		
Operating revenues	$ 566,037	$ 528,431
Nonoperating revenues	4,578	3,593
Total Revenues	570,615	532,024
Expenses:		
Operating expenses	545,071	535,428
Interest on long-term debt	3,005	4,796
Other nonoperating expenses	48,537	45,583
Total Expenses	596,613	585,807
Decrease in net position	(25,998)	(53,783)
Net Position, Beginning of year	67,339	121,122
Net Position, End of year	$ 41,341	$ 67,339

Financial Highlights

- There was no rate change in 2024 and 2023.
- Operating expenses include an estimated FRPPA true-up of $31,000,000 and $40,000,000 in 2024 and 2023, respectively.

Capital Assets and Debt Administration

Capital Assets

The Agency's net investments in capital assets at December 31, 2024, 2023 and 2022 totaled $21,783,000, $23,065,000 and $24,684,000 (net of accumulated amortization and depreciation), respectively. These assets include land, buildings, distributed generators, and equipment.

Major capital asset transactions during 2024 and 2023 include the following:

- Electric Utility Plant and Non-Utility Property and Equipment were depreciated $1,279,000 and $1,279,000 for 2024 and 2023, respectively.
- Leases were amortized $31,000 and $31,000 for 2024 and 2023, respectively. Additional information regarding the Agency's leases can be found in Note H.

Capital Assets
Exhibit 4
($000s)

Electric Utility Plant, Net

	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

	December 31, 2022	Additions	Transfers	Retirements	December 31, 2023
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	(7,535)	(1,239)	-	-	(8,774)
Total Accumulated Depreciation	(7,535)	(1,239)	-	-	(8,774)
Depreciable Utility Plant/Diesel Generators, Net	23,067	(1,239)	-	-	21,828
Land and Other Non-Depreciable Assets					
Land	474	-	-	-	474
Total Electric Utility Plant, Net	$ 23,541	$ (1,239)	$ -	$ -	$ 22,302

Non-Utility Plant and Equipment, Net

	December 31, 2023	Additions	Transfers	Retirements	December 31, 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	$ 783	$ (40)	$ -	$ -	$ 743

	December 31, 2022	Additions	Transfers	Retirements	December 31, 2023
Non-Utility Property and Equipment					
Property and Equipment	$ 1,544	$ -	$ -	$ -	$ 1,544
Accumulated Depreciation	(1,431)	(40)	-	-	(1,471)
Total Depreciable Property and Equipment, Net	113	(40)	-	-	73
Land	710	-	-	-	710
Total Non-Utility Property and Equipment, Net	$ 823	$ (40)	$ -	$ -	$ 783

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, 2024, 2023 and 2022 was $48,845,000, $95,830,000 and $141,090,000, respectively, all of which consists of bonds issued during 2015. Total debt decreased by $46,985,000 and $45,260,000 during 2024 and 2023, 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 2024 budget:

- The historical 10-year average weather-normalized load (energy) growth rate is approximately 0.3%/year. Load is expected to grow at a rate of 1.1% 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 remain volatile, with potential increases driven by higher demand for heating and LNG exports.
- The long-term price outlook for coal prices are expected to face some challenges due to mild demand and high inventory levels, however, an increase in natural gas prices could provide some support for coal consumption in the future.

Budget Highlights for 2025

- Forecasts no overall wholesale rate change in 2025. The actual rate change implemented by the Rate Committee is 3.5% effective Jule 1, 2025.
- Collection of $48,845,000 for debt principal due on July 1, 2025.
- Forecasts a 4.5% increase in Power Agency Services for 2025.
- Projects a 10-year average annual load growth of 1.1% for energy and 1.2% 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, 2024	December 31, 2023
ASSETS		
Non-Current Assets		
Capital Assets (Note C):		
Electric Utility Plant, Net		
Electric plant in service/Diesel Generators	$ 31,076	$ 31,076
Accumulated depreciation	(10,013)	(8,774)
Total Electric Utility Plant, Net	21,063	22,302
Non-Utility Property and Equipment, Net		
Property and equipment	2,254	2,254
Accumulated depreciation	(1,511)	(1,471)
Total Non-Utility Property and Equipment, Net	743	783
Net Book Value Capital Assets	21,806	23,085
Leases (Note H)	413	413
Accumulated amortization-leases	(156)	(124)
Total Leases	257	289
Total Capital Assets/Leases	22,063	23,374
Restricted Assets		
Special Funds Invested (Note D):		
Revenue fund	8,777	6,400
Bond fund	37,588	37,629
Contingency fund	5,085	5,087
Total Special Funds Invested	51,450	49,116
Total Restricted Assets	51,450	49,116
Total Non-Current Assets	73,513	72,490
Current Assets		
Funds Invested (Note D):		
Supplemental fund	83,911	100,830
Total Funds Invested	83,911	100,830
Participant/members accounts receivable	51,670	43,975
Operating receivable	-	10
Renewable Energy Certificate Inventory (Note E)	14,700	14,638
Prepaid expenses	3,453	3,205
Total Current Assets	153,734	162,658
Total Assets	$ 227,247	$ 235,148

See accompanying Notes to Financial Statements.

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

	December 31, 2024	December 31, 2023
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized debt issuance costs	$ 40	$ 115
Costs To Be Recovered (Note F)	7,886	57,534
Total Deferred Outflows of Resources	7,926	57,649
LIABILITIES		
Non-Current Liabilities		
Long-Term Debt (Note G)	-	48,845
Long-Term Lease Liability (Note H)	244	273
Total Non-Current Liabilities	244	49,118
Current Liabilities		
Operating Liabilities:		
Short-term lease liability (Note H)	30	29
Accrued Interest Liability-Leases	6	7
Accounts payable	97,960	82,256
Total Operating Liabilities	97,996	82,292
Special Funds Liabilities:		
Current maturities of bonds (Note G)	48,845	46,985
Accrued interest on bonds	991	1,921
Total Special Funds Liabilities	49,836	48,906
Total Current Liabilities	147,832	131,198
Total Liabilities	148,076	180,316
DEFERRED INFLOWS OF RESOURCES		
Collections To Be Expended (Note F)	45,757	45,142
Total Deferred Inflows of Resources	45,757	45,142
NET POSITION		
Net investment in capital assets	21,783	23,065
Restricted for debt service	8,807	6,473
Unrestricted	10,750	37,801
Total Net Position	$ 41,340	$ 67,339

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, 2024	2023
Operating Revenues:		
Sales to participants/members	$ 565,152	$ 526,603
Other revenues	885	1,828
Total Operating Revenues	566,037	528,431
Operating Expenses:		
Operation and maintenance	727	415
Fuel	1,267	1,740
Power coordination services/FRPP:		
Purchased power	470,551	466,847
Transmission and distribution	31,336	29,276
Other	25,135	21,704
Total power coordination services	527,022	517,827
Administrative and general	14,539	13,881
Amounts in lieu of taxes	206	255
Depreciation	1,279	1,279
Amortization leases (Note H)	31	31
Total Operating Expenses	545,071	535,428
Operating Income (Loss)	20,966	(6,997)
Nonoperating (Revenues) Expenses		
Investment income	(4,578)	(3,593)
Net (increase) in fair value of investments	(1,809)	(3,210)
Interest expense	3,005	4,796
Interest Expense - Leases (Note H)	8	9
Amortization of debt issuance costs	75	108
Net decrease in costs to be recovered (Note F)	49,649	49,224
Net (decrease)/increase in collections to be expended (Note F)	615	(548)
Total nonoperating expenses	46,965	46,786
Decrease in Net Position	(25,999)	(53,783)
Net Position, Beginning of the year	67,339	121,122
Net Position, End of the year	$ 41,340	$ 67,339

See accompanying Notes to Financial Statements.

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

	Years Ended December 31, 2024	2023
Cash Flows from Operating Activities:		
Receipts from sales of electricity	$ 558,342	$ 535,412
Payments of operating expenses	(528,357)	(541,851)
Net cash (used in)/provided by operating activities	29,985	(6,439)
Cash Flows from Capital and Related Financing Activities:		
Interest paid	(3,935)	(5,658)
Lease payment	(37)	(37)
Bonds Principal Payment	(46,985)	(45,260)
Net cash used for capital and related financing activities	(50,957)	(50,955)
Cash Flows from Investing Activities:		
Sales and maturities of investment securities	952,858	1,050,896
Purchases of investment securities	(934,561)	(994,960)
Investment earnings receipts	2,613	1,489
Net cash provided by investing activities	20,910	57,425
Net Change in Operating Cash	(62)	31
Operating Cash, Beginning of year	88	57
Operating Cash, End of year	$ 26	$ 88
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities:		
Operating Income/(Loss)	$ 20,966	$ (6,997)
Adjustments:		
Depreciation	1,279	1,279
Amortization leases	31	31
Changes in assets and liabilities:		
Decrease/(increase) in participant accounts receivable	(7,695)	6,981
Decrease in operating receivable	10	264
(Increase) in prepaid expenses	(248)	(522)
Decrease/(increase) in renewable energy certificate inventory	(62)	698
(Decrease)/increase in accounts payable	15,704	(8,173)
Total Adjustments	9,019	558
Net Cash Provided/(Used) by Operating Activities	$ 29,985	$ (6,439)

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 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 is July 1, 2025.

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 $14,318,000 and $12,823,000 for the years ended December 31, 2024 and 2023, 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 (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.

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 $9,936 and $35,076 at December 31, 2024 and 2023, respectively, and is included on the statement of net position in the line item “Current Assets: Funds Invested”. Restricted cash of $15,855 and $53,358 at December 31, 2024 and 2023, 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.

Recently Adopted GASB Standards

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 and did not have a material impact on the Agency's financial position, overall cash flow or balances or results of operations.

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 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. 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.

B. Significant Accounting Policies (Continued)

Future Accounting Standards

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

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.

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.

C. Capital Assets

Changes in components of electric utility plant, net during 2024 and 2023 are as follows (in thousands of dollars):

	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

	December 31, 2022	Additions	Transfers	Retirements	December 31, 2023
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	(7,535)	(1,239)	-	-	(8,774)
Total Accumulated Depreciation	(7,535)	(1,239)	-	-	(8,774)
Depreciable Utility Plant/Diesel Generators, Net	23,067	(1,239)	-	-	21,828
Land and Other Non-Depreciable Assets					
Land	474	-	-	-	474
Total Electric Utility Plant, Net	$ 23,541	$ (1,239)	$ -	$ -	$ 22,302

C. Capital Assets (Continued)

Changes in components of non-utility property and equipment, net during 2024 and 2023 are as follows (in thousands of dollars):

	December 31, 2023	Additions	Transfers	Retirements	December 31, 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	$ 783	$ (40)	$ -	$ -	$ 743

	December 31, 2022	Additions	Transfers	Retirements	December 31, 2023
Non-Utility Property and Equipment					
Property and Equipment	$ 1,544	$ -	$ -	$ -	$ 1,544
Accumulated Depreciation	(1,431)	(40)	-	-	(1,471)
Total Depreciable Property and Equipment, Net	113	(40)	-	-	73
Land	710	-	-	-	710
Total Non-Utility Property and Equipment, Net	$ 823	$ (40)	$ -	$ -	$ 783

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, 2024		December 31, 2023	
	Method of Valuation	Cost Basis	Reported Value	Cost Basis	Reported Value
U.S. Government Agencies	Fair Value Level 2	$ 37,601	$ 37,491	$ 54,110	$ 52,990
Treasury Coupons	Fair Value Level 1	34,239	33,974	38,549	37,482
Treasury Discount Notes	Fair Value Level 1	331	338	4,889	4,902
Commercial Paper	Fair Value Level 2	4,214	4,297	22,923	22,936
North Carolina Investment Pool	Fair Value Level 1	32,401	32,401	29,687	29,686
NC Capital Management Trust -Government Portfolio	Fair Value Level 1	26,550	26,550	1,391	1,391
Sub-total funds invested		135,336	135,051	151,549	149,387
Cash					
Unrestricted cash		10	10	-	35
Restricted cash		16	16	-	53
Accrued interest		284	284	471	471
Total funds invested		$ 135,646	$ 135,361	$ 152,020	$ 149,946
Consisting of:					
Unrestricted Assets			$ 83,911		$ 100,830
Restricted Assets			51,450		49,116
Total funds invested			$ 135,361		$ 149,946

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, 2024, and 2023, the maturities of the Agency's investments are as follows (in thousands of dollars):

	December 31, 2024		
	Reported Value	Investment Maturity (In Years) Under 1	1-5
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	$ 135,051	$ 120,373	$ 14,678

	December 31, 2023		
	Reported Value	Investment Maturity (In Years) Under 1	1-5
U.S. government agencies	$ 52,990	$ 26,949	$ 26,041
Treasury State and Local Government Securities			
Treasury Coupons	37,482	16,432	21,050
Treasury Discount Notes	4,902	4,902	-
Commercial Paper	22,936	22,936	-
NC Investment Pool	29,686	29,686	-
NC Capital Management Trust	1,391	1,391	-
Total	$ 149,387	$ 102,296	$ 47,091

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, 2024, and 2023, 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, 2024 and 2023 the Agency's investments, by issuer, are detailed in the following schedule (in thousands of dollars):

	December 31, 2024		December 31, 2023	
	Reported Value	Percentage of Portfolio	Reported Value	Percentage of Portfolio
Federal Home Loan Mortgage Corporation	$ 2,918	2%	$ 12,251	8%
Federal National Mortgage Association	7,738	6%	16,838	11%
Federal Home Loan Bank	20,426	15%	16,502	11%
Federal Farm Credit Bank	6,409	5%	7,399	5%
Commercial Paper:				
Societe Generale	4,297	3%	-	0%
MUFG Bank Ltd/NY	-	0%	22,936	15%
NC Capital Management Trust	26,550	20%	1,391	1%
North Carolina Investment Pool	32,401	24%	29,686	20%
U.S. Treasury Department	34,312	25%	42,384	28%
Total	$135,051	100%	$149,387	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, 2024 and 2023, the Agency had $25,791 and $88,434, respectively, covered by federal depository insurance.

E. Renewable Energy Certificate Inventory

The following show RECs activity during 2024 and 2023 (in thousands of dollars):

	December 2023	Additions and other adjustments	Retirements	December 2024
RECs	$ 14,638	$ 3,128	$ (3,066)	$ 14,700

	December 2022	Additions and other adjustments	Retirements	December 2023
RECs	$ 15,336	$ 2,079	$ (2,777)	$ 14,638

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,	
	2024	2023	2024	2023
Costs To Be Recovered				
Net decrease/(increase) in fair value of investments	$ (1,809)	$ (3,210)	$ 901	$ 2,710
Participant billing offsets	(47,839)	(46,014)	(395,392)	(347,553)
Defeased Bonds	-	-	402,377	402,377
Costs To Be Recovered	$ (49,648)	$ (49,224)	$ 7,886	$ 57,534

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

	Year Ended December 31,		Inception to December 31,	
	2024	2023	2024	2023
Collections To Be Expended				
Net special funds withdrawals	$ -	$ -	$ 35,738	$ 35,738
Restricted investment income	1,832	1,429	6,689	4,857
Special funds valuations	-	-	154	154
Depreciation and amortization	(1,279)	(1,279)	(11,524)	(10,245)
Other collections to be expended	62	(698)	14,700	14,638
Net Collections To Be Expended	$ 615	$ (548)	$ 45,757	$ 45,142

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 2024 and 2023 (in thousands of dollars):

Summary of Changes in Long Term Liabilities

	Balance 12/31/2023	Additions	Reductions	Balance 12/30/2024	Amount Due within one year
Bonds Payable	$ 95,830	$ -	$ (46,985)	$ 48,845	$ 48,845

	Balance 12/31/2022	Additions	Reductions	Balance 12/31/2023	Amount Due within one year
Bonds Payable	$ 141,090	$ -	$ (45,260)	$ 95,830	$ 46,985

	2024	2023
Bonds Outstanding - Beginning of year	$ 95,830	$ 141,090
Principal payments July 1	(46,985)	(45,260)
Net Bonds Outstanding after Principal Payment	$ 48,845	$ 95,830

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

	December 31, 2024	December 31, 2023
Series 2015A		
3.958% maturing in 2024	-	46,985
4.058% maturing in 2025	48,845	48,845
	48,845	95,830
Total Bonds Outstanding	48,845	95,830
Current maturities of bonds	-	(46,985)
Long-Term Debt, Bonds Payable	$ 48,845	$ 48,845

The fair market value of the Agency's long-term debt was estimated using a yield curve derived from December 31, 2024 and 2023 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 $48,652,463 and $94,840,347 at December 31, 2024 and 2023, 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. $5,195,315,000 of these bonds has been redeemed at December 31, 2024 and 2023, leaving $37,180,000 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, 2024 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 $47,915,000 were collected during 2024. These amounts were deposited monthly into the Bond Fund to provide for the principal payments due July 1, 2024 in the amount of $46,985,000 and a portion of $48,845,000 principal payment due July 1, 2025. Debt service deposit requirements from the designated year's rates for short-term debt outstanding at December 31, 2024 are as follows (in thousands of dollars):

	Principal	Interest	Total
2025	48,845	1,982	50,827
Total	$ 48,845	$ 1,982	$ 50,827

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 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.

G. Bonds (Continued)

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, 2024, and 2023, the balance of the bond fund reserve was $12,153,000 and $12,174,000, respectively.

The Resolution also establishes a contingency account to be funded with the proceeds of the 2015 bond issuance. As of December 31, 2024, and 2023, the balance of the contingency account was $5,085,000 and $5,087,000, respectively.

H. Leases

The Agency reports according to the provision of GASB Statement No. 87 "Leases" which requires the Agency to recognize a lease liability and an intangible right of use lease asset in the financial statements. The Agency recognizes lease assets with an initial, individual value of $5,000 or more.

At the commencement of a lease, the Agency initially measures the lease liability at the present value of payments expected to be during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, plus certain initial direct costs. The lease asset is amortized on a straight-line basis over its useful lives of the leases.

Key estimates and judgements related to leases include how the Agency determines (1) discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The A rated Municipal Market Data rate, provided by the Agency's investment management firm, is used as the estimated incremental borrowing rate. The incremental borrowing rate is averaged for various lease terms and updated quarterly.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Agency is reasonably certain to exercise.

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's effective transition date for GASB Statement No. 87 "Leases' implementation is January 1, 2022. Prior year net position was restated to reflect the effect of adoption.

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 2024-2028 the lease payment will be set at $37,904. The lease liability is measured at a discount rate of 2.75%.

H. Leases (Continued)

Leases activity for the year ended December 31, 2024 was as follows:

	($000)			
	December 31, 2023	Additions	Deletions	December 31, 2024
Leases				
Land	$ 413	$ -	$ -	$ 413
Accumulated Amortization				
Land	(124)	(32)	-	(156)
Total Leases, Net	$ 289	$ (32)	$ -	$ 257

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2024 were as follows:

Years ending December 31	Principal Payment	Interest Payment	Total
2025	30	8	38
2026	31	7	38
2027	32	6	38
2028	35	5	40
2029	37	3	40
2030-2032	115	4	119
	$ 280	$ 33	$ 313

I. Subsequent Events

The Agency has evaluated subsequent events through April 18, 2025, 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, 2024	Years Ended December 31, 2023
Revenues:		
Sales to members/participants	$ 565,152	$ 526,603
Investment income	2,746	2,164
Other revenues	885	1,828
Total Revenues	568,783	530,595
Expenses:		
Operation and maintenance	766	455
Fuel	1,267	1,740
Power coordination services/FRPP:		
Purchased power	470,551	466,847
Transmission and distribution	31,336	29,276
Other	25,197	21,005
Total power coordination services/FRPP:	527,084	517,128
Administrative and general	14,539	13,881
Taxes		
Amounts in lieu of taxes	206	255
Total taxes	206	255
Debt service:		
Debt administrative costs	93	93
Debt service	50,827	50,826
Total debt service	50,920	50,919
Total Expenses	594,782	584,378
Revenues (Under) Expenses	$ (25,999)	$ (53,783)
Reconciliation of Bond Resolution Basis to GAAP		
Total Revenues	$ 568,783	$ 530,595
Total Expenses	594,782	584,378
Revenues(Under) Expenses	(25,999)	(53,783)
Decrease in Net Position (Pg. 14)	$ (25,999)	$ (53,783)

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, 2024 and 2023.

See Accompanying Report of Independent Auditor.

North Carolina Eastern Municipal Power Agency
Budgetary Comparison Schedule
Years Ended December 31, 2024 and 2023
($000's)

	2024 Budget		Actuals (Budgetary Basis)	Positive (Negative) Variance With Final Budget
	Original	Final		
Revenues:				
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	582,389	582,389	568,783	(13,606)
Expenses:				
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	517,984	530,984	527,084	3,900
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	588,178	601,178	594,782	6,396
Appropriated balances	(5,789)	(18,789)	(25,999)	7,210
Revenues Under Expenses	$ -	$ -	$ -	$ -

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, 2024 and 2023. Additionally, some items have been reclassed for comparative purposes.

See Accompanying Report of Independent Auditor.

North Carolina Eastern Municipal Power Agency
Budgetary Comparison Schedule
Years Ended December 31, 2024 and 2023
($000's)

	2023 Budget		Actuals	Positive (Negative)
	Original	Final	(Budgetary Basis)	Variance With Final Budget
Revenues:				
Sales to participants	$ 555,660	$ 526,603	$ 526,603	$ -
Investment income	2,795	2,164	2,164	-
Other revenues	-	1,828	1,828	-
Total Revenues	558,455	530,595	530,595	-
Expenses:				
Operation and maintenance	1,169	774	455	319
Fuel	2,947	2,662	1,740	922
Power coordination expenses:				
Purchased power	440,905	467,354	466,847	507
Transmission and distribution	32,553	29,998	29,276	722
Other	4,542	21,328	21,005	323
Total power coordination expenses	478,000	518,680	517,128	1,552
Administrative and general	14,203	14,203	13,881	322
Taxes	400	400	255	145
Debt service	51,061	51,061	50,919	142
Total Expenses	547,780	587,780	584,378	3,402
Appropriated balances	10,675	(57,185)	(53,783)	(3,402)
Revenues Over Expenses	$ -	$ -	$ -	$ -

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

	Funds Invested January 1, 2023	Power Billing Receipts	Invest-ment Income	Receipts (Disburse-ments)	Transfers
Bond Fund:					
Interest account	$ 2,782	$ -	$ 67	$ (5,562)	$ 4,637
Reserve account	12,999	-	171		(549)
Principal account	22,718	-	1,091	(45,259)	44,978
Total Bond Fund	38,499	-	1,329	(50,821)	49,066
Contingency Fund	5,432	-	69	-	(245)
Revenue Fund	4,151	-	32	-	2,263
Supplemental Fund	158,376	534,742	2,172	(541,325)	(51,084)
	$ 206,458	$ 534,742	$ 3,602	$ (592,146)	$ -

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, 2024 and 2023.

See Accompanying Report of Independent Auditor.

Funds Invested December 31, 2023	Power Billing Receipts	Invest-ment Income	Receipts (Disburse-ments)	Transfers	Funds Invested December 31, 2024
$ 1,924	$ -	$ 50	$ (3,886)	$ 2,910	$ 998
12,621	-	276	(1,331)	-	11,566
23,528	-	1,310	(47,643)	47,910	25,105
38,073	-	1,636	(52,860)	50,820	37,669
5,256	-	129	(269)	-	5,116
6,446	-	69	2,304	(36)	8,783
102,881	558,859	2,749	(529,011)	(50,784)	84,694
$ 152,656	$ 558,859	$ 4,583	$ (579,836)	$ -	$ 136,262

PBMares
CPAs and Consultants

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, 2024, and the related statements of revenue and expenses and changes in net position, and cash flows for the year ended December 31, 2024, and the related notes to the financial statements, and have issued our report thereon dated April 18, 2025.

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 goverance.

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 18, 2025