



Board Packet for the  
April 21st, 2026  
District Energy Corporation  
Board Meeting

# TAB I



**NOTICE OF QUARTERLY MEETING AND AGENDA  
DISTRICT ENERGY CORPORATION  
BOARD OF DIRECTORS  
April 21, 2026 @ 12:00 pm**

*Meeting held at County-City Building, 555 S. 10<sup>th</sup> Str., Lincoln NE  
in the City Council Chambers room #112*

*Notice of meeting was published in the Lincoln Journal Star newspaper on April 14, 2026.*

- I. CALL TO ORDER, OPEN MEETING ADVISEMENT, ROLL CALL – Chair Sean Flowerday**
- II. SAFETY BRIEFING – Jason Fortik**
- III. PUBLIC COMMENT**
- IV. APPROVAL OF PRIOR MEETING MINUTES \* – Sean Flowerday** **Motion**
- V. MANAGEMENT REPORT – Aaron Evans**
  - A. Operations & Fuels Update
  - B. Construction Projects Update
  - C. Potential New Customer Connections Update
  - D. Motion to Accept Management Report\* **Motion**
  - E. Consider Authorizing Chairman to Execute Standard Service/Consulting Contract Between DEC and Burns & McDonnell \* **Motion**
- VI. FINANCIAL REPORTS – Wade Leibbrandt**
  - A. Current Financial Report
  - B. Motion to Accept Financial Report \* **Motion**
  - C. Motion to Accept the 2025 Audit Report\* **Motion**
  - D. Tax-Exempt Financing Compliance Update
- VII. MISCELLANEOUS BUSINESS**
  - A. Discussion of Nebraska Legislation - **David Levy**
  - B. Discussion of attendance at the International District Energy Association’s annual conference, June 23-26, 2026, in Ottawa, Canada – **Jason Fortik**
  - C. New Business
- VIII. EXECUTIVE SESSION – if necessary**
- IX. FUTURE MEETING DATES AND LOCATION DISCUSSION**

July 21, 2026 @ CC // October 20, 2026 @ CC // January 26, 2027 @ CC // April 20, 2027 @ CC
- X. ADJOURNMENT**

\*Denotes Action Item

# TAB II



**MINUTES OF DISTRICT ENERGY CORPORATION BOARD**  
**Meeting held January 27, 2026**

Minutes of the meeting of the District Energy Corporation (DEC) Board of Directors meeting held on January 27, 2026, at the Chambers Room #112 in the County City Building, 555 S. 10<sup>th</sup> Street, Lincoln, Nebraska. Notice of the meeting was published in the Lincoln Journal Star newspaper on January 20, 2026.

Board Members Present: Sean Flowerday, Kim Morrow, Carl Eskridge, Bennie Shobe  
Board Members Absent: Matt Schulte

Others Present: David Levy, Jason Fortik, Nick Wischhof, Aaron Evans, Larry Balm, Dianne Dobrusky, Keith Snyder, Denise Parrott, Wade Leibbrandt, Kerin Peterson

Chair Sean Flowerday called the meeting to order at 12:10pm. Flowerday stated that DEC conducts its meetings in compliance with the Nebraska Open Meetings Act and that a copy of the act is posted at the back of the room.

**Call to Order**

Jason Fortik, LES Vice President of Power Supply and DEC Administrator, presented the Safety Briefing.

**Safety Briefing**

Chair Flowerday welcomed public comments. Seeing none the meeting proceeded to the next agenda item.

**Public Comment**

Chair Flowerday asked for a motion to approve the October 21<sup>st</sup>, 2025 meeting minutes. Vice Chair Eskridge made the motion and Director Shobe seconded. The vote to approve was:  
Aye: Flowerday, Morrow, Eskridge, Shobe / Absent: Schulte

**Approval of  
Minutes for 10/21/25**

Jason Fortik stated that there were two board terms that expired at the end of 2025. Both Sean Flowerday and Kim Morrow were officially reappointed to a new 2-year term.

**Receipt of Board  
Appointment Notices**

David Levy, DEC General Counsel, conducted the election of officers for 2026. Director Shobe nominated Sean Flowerday for Chair and made a motion for the same. It was seconded by Director Morrow. The vote to approve was:  
Aye: Flowerday, Morrow, Eskridge, Shobe / Absent: Schulte

**Election of Officers**

Bennie Shobe then nominated Carl Eskridge for Vice Chair and made a motion for the same. It was seconded by Director Morrow. The vote to approve was:  
Aye: Flowerday, Morrow, Eskridge, Shobe / Absent: Schulte

Vice Chair Eskridge nominated Kim Morrow for Secretary and made a motion for the same. It was seconded by Director Shobe. The vote to approve was:  
Aye: Flowerday, Morrow, Eskridge, Shobe / Absent: Schulte

Aaron Evans, Manager – District Energy, presented the management report. The operations update included information about interruptions at the County-City plant on 11/8/25 and 11/10/25, both for chilled water. NSP had two planned outages for steam/condensate leak repairs.

**Management Report**

The fuel cost recap for 2025 shows the year ending with prices slightly above budget, with actual cost at \$7.10/MMBtu and budget at \$6.99/MMBtu. Evans noted that previous 2025 reports used \$7.16 or \$7.17/MMBtu as the budgeted fuel cost, which was incorrect based on a reporting error. Budget for 2026 is \$7.57/MMBtu. Evans provided details about ongoing capital projects including: Safety and security improvements at all plants, CADF geothermal loop cooler, WHM electric boilers, DEC vehicles, State Plant fuel oil filter skid, CADF multistack upgrades, and various other upgrades at all sites. Evans gave detailed information about the issues with the CADF loop cooler and the WHM boiler project, which necessitated the resolutions for \$30k additional funding for each of those projects,

**\*Fuel Cost Recap & Project Updates**

Metrics for 2025 customer outages were reviewed. These are for unplanned services interruptions lasting more than 120 minutes. County-City cooling reliability came in at 99.8%, with all other metrics at 100%.

**\*Outage Metrics**

Up next was the Greenhouse Gas Emissions Report presentation which will be reported annually, in compliance with the adoption of Resolution 25-04 in January of 2025. Metrics and data for Scope 1 emissions (any fuel oil or natural gas used in any DEC plant) were presented, followed by Scope 2 emissions (mostly electricity purchased from the grid) where DEC does not control the source of the energy, but does have control over the amount consumed. Emissions breakdowns data by plant was also presented. Director Morrow noted that the information presented aligned with the spirit of the resolution.

**\*Greenhouse Gas Emissions Report**

Staff is continuing to monitor developments regarding the new convention center and a potential new customer in the south Haymarket area.

**\*New Customer Potential**

Chair Flowerday called for a motion to accept the Management Report. Motion was made by Vice Chair Eskridge and seconded by Director Shobe. The vote to approve was:  
Aye: Flowerday, Morrow, Eskridge, Shobe / Absent: Schulte

**Motion to Accept Management Report**

Wade Leibbrandt, LES Finance Director and DEC CFO, presented the Preliminary Financial Report for Year-End 2025. First up was the mention that the Fitch ratings review was done early and that they reaffirmed the AA+ rating for the facility bonds and the AA rating for the NSP bonds. The timeline for the year-end close and audit was reviewed, showing the annual report would be finalized in April – so the data presented today is preliminary. The change in net position is 49.6% above budget due to lower than anticipated operating expenses. Revenue remained close to budget, largely due to its fixed nature, although there were some variances between heating and cooling. Expenses are 5.4% below budget, with labor being the biggest driver of that difference. There were also expenses budgeted for electrical maintenance plans in 2025 that have been delayed and will be completed in 2026.

## **Financial Report**

Financial metrics continue to be strong. Targets for debt service and cash on hand were met. There is \$900,000 outstanding on the JP Morgan revolving line of credit. The balance on the line of credit decreased by \$300k during the fourth quarter due to Inflation Reduction Act funds received for the CC thermal ice project, which were used to pay down the balance on the line. On the 2025 Capital budget – there was \$1.9 million spent on active projects. Leibbrandt noted that unused funds are carried forward from year-to-year for long as a project is active.

Wade Leibbrandt also gave the Semi-Annual Investment Report presentation. DEC has a \$9.4 million investment portfolio that is managed by LES staff – a breakdown of those investments was shared. Leibbrandt gave details about yields for 2025 and how DEC’s investment performance compares to benchmarks from Bank of America. Yields on DEC’s P&I and Operating Funds were slightly below benchmarks while yields on the Bond Reserve and Rate Stabilization Funds are outperforming the benchmarks. DEC continues to meet the objectives of their investment policy, which are safety, liquidity and return on investment.

## **Semi-Annual Investment Report**

Chair Flowerday called for a motion to accept the Financial Reports. Motion was made by Vice Chair Eskridge and seconded by Secretary Morrow. The vote to approve was:  
Aye: Flowerday, Morrow, Eskridge / Absent: Shobe, Schulte

## **Motion to Accept Financial Reports**

Wade Leibbrandt summarized Resolution 26-01 to increase the budget for the Electric Boiler addition project at West Haymarket by \$30,000, to a new total project cost of \$856,000. Aaron Evans provided details about this project in the Management Report that was presented earlier.

## **Resolution 26-01 WHM Budget Adjustment**

Chair Flowerday called for a motion to approve Resolution 26-01. Motion was made by Vice Chair Eskridge and seconded by Secretary Morrow. The vote to approve was:

Aye: Flowerday, Morrow, Eskridge / Absent: Shobe, Schulte

Wade Leibbrandt summarized Resolution 26-02 to increase the budget for the Loop Field Fluid Cooler project at the County Adult Detention Facility by \$30,000, to a new total project cost of \$827,210. Aaron Evans provided details about this project in the Management Report that was presented earlier. David Levy commended staff on their negotiations with the vendor and the resolution that was reached.

**Resolution 26-02 CADF  
Budget Adjustment**

Chair Flowerday called for a motion to approve Resolution 26-02. Motion was made by Vice Chair Eskridge and seconded by Secretary Morrow. The vote to approve was:  
Aye: Flowerday, Morrow, Eskridge / Absent: Shobe, Schulte

David Levy discussed proposed Nebraska legislation relevant to DEC. Levy summarized Legislative bills 898, 1134, 1145, and 964. Both LB898 and LB1145 are potential changes to the Open Meetings Act in regard to virtual meetings and how notice is provided. LB1134 is asking for a change from the currently adopted 2018 International Revenue Code to the 2009 Energy Code. And LB964 presents a requirement for a political subdivision to provide notice when buying or selling real estate property. Levy also reviewed some carryover bills from 2025, especially LB450, for which DEC sent a letter in support of last year.

**Legislative Update**

Jason Fortik presented information about the annual IDEA conference to be held in Ottawa Canada on June 23-26, 2026 – and the potential for board and staff attendance. As more details about the conference become available, that will be shared with the board, The board was encouraged to let staff know if they are interested in attending.

**IDEA Annual  
Conference**

The next regular meeting of the DEC board will be on April 21st, 2026 in the Chambers Room #112 at the County-City building.

**2<sup>nd</sup> Quarter Meeting**

Chair Flowerday called for a motion to adjourn. Motion was made by Vice Chair Eskridge and seconded by Secretary Morrow. The vote to approve was:  
Aye: Flowerday, Morrow, Eskridge/ Absent: Shobe, Schulte

**Adjournment**

The board was adjourned at approximately 1:17 pm.

Sean Flowerday, Board Chair

By: Dianne Dobrusky  
Dianne Dobrusky, Assistant Secretary

# TAB III



## Management Report

Aaron Evans, PE  
Manager, District Energy

### Vision

*“Striving for Energy Excellence”*

### Mission

*“Provide low-cost, reliable and efficient thermal energy services to enhance and enable economic development of the Lincoln community”*

Board of Directors Meeting  
April 21, 2026



**DEC**  
ENERGY

# Operations and Fuels Update: January 2026



# Operations Update & Service Interruptions

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- ❑ 1/9 **West Haymarket** chilled water and hot water outage service interruptions
  - ❑ Related to electric boiler installation.
  - ❑ Contractor work duration longer than expected.
  - ❑ Minor customer system issues resolved in a few hours without intervention.
  
- ❑ 2/13 planned hot water outage at **West Haymarket** for valve replacement



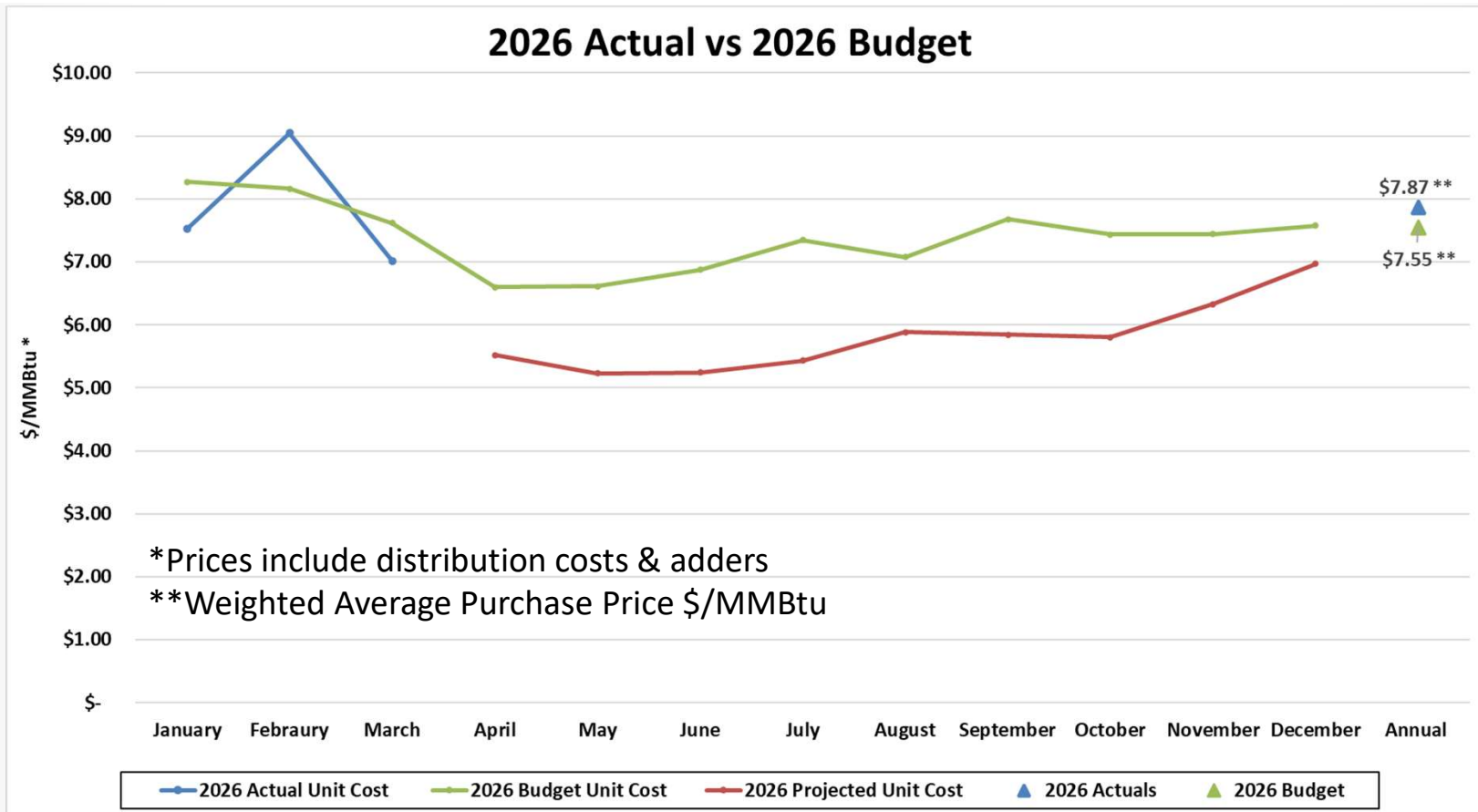
# Operations Update & Service Interruptions

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- ❑ 2/24 and 2/25 planned steam outages at **NSP** for customer steam/condensate work.
  - ❑ Continue to operate 75 psi due to customer pressure reducing valve issues; no planned replacements.
  
- ❑ Planned outages occurring this week for electrical equipment maintenance
  - ❑ 4/20 through 4/24 for electrical maintenance at CADF and LOC

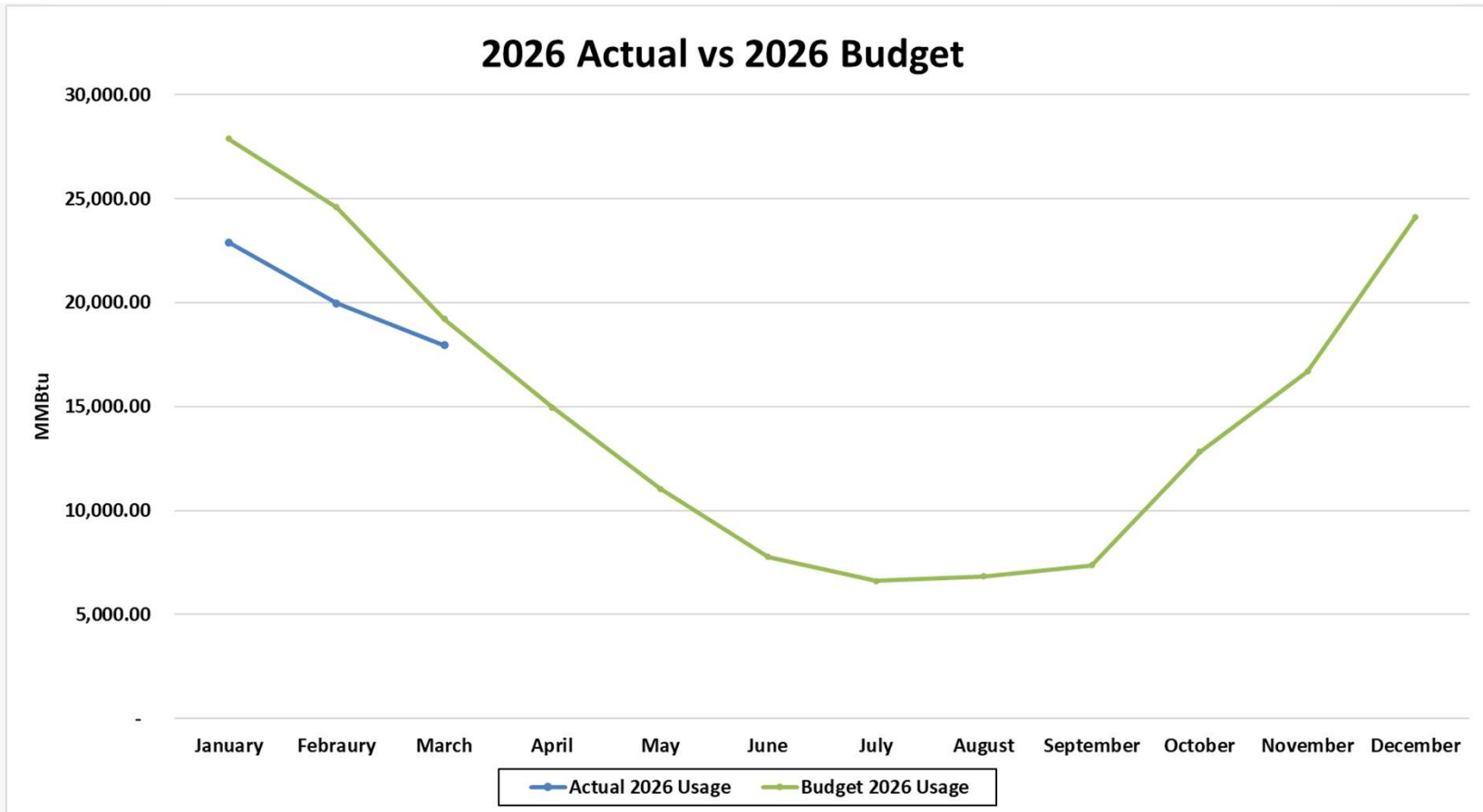


# Fuel Unit Costs





# Fuel Quantities





# 2025 Fuel Costs

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	Q1	Q2	Q3	Q4	2026
<b>Total Consumption</b>	<b>60,819</b>	-	-	-	<b>60,819</b>
<b>Total Cost (\$)</b>	<b>\$ 478,785</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 478,785</b>
<b>Average Unit Cost (\$/mmBTU)</b>	<b>7.87</b>	-	-	-	<b>7.87</b>



**DEC**  
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# Project Updates



# 2026 Capital Projects

Project	Description	Budget *	Status
<u>All</u> Miscellaneous Upgrades	This project replaces the central safety & security project, and will separately fund miscellaneous safety, security, and efficiency improvements at each facility. Examples of improvements include replacement of obsolete fire detection and suppression systems, replacement of uninterruptible power supply (UPS) systems at end of life, and cabinet cooling to improve longevity of electronic components.	CC: \$50k SBP: \$30k CADF: \$111k WHM: \$30k LOC: \$50k NSP: \$50k	Bid development in progress for fire suppression upgrades. Scoping pedestrian gate at LOC.
<u>SBP</u> Fuel Oil Filter Skid	This project will install a fuel oil filter skid to remove moisture and particulates from the underground storage tank, improving longevity of oil storage and enhancing boiler and generator reliability.	\$250k	Filter skid PO issued in March; \$63k on \$125k budget with delivery expected by late July. Drawings pending for installation bid development.
<u>CADF</u> Multistack Upgrades	This project will upgrade the reversing valves on the Multistack geothermal heat pumps to improve system reliability. It will also upgrade the obsolete controllers to enhance support.	\$229.5k	PO issued for controller replacements; bids for reversing valves are in progress.

\* Budget column shows total project authorization. Capital spend occasionally shifts from year-to-year.



# Capital Projects Update

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Project	Description	Budget *	Status
<u>CADF</u> Geothermal Loop Cooler	This project will install an air to fluid cooling system to address the geothermal loop temperature increases that affect efficiency of the heat pumps. The system would be operated during the colder winter months to maximize system performance.	\$827k	Received repaired unit but found additional failures during testing. Warranty repairs scheduled for next week.
<u>WHM</u> Electric Boilers	This project will install two additional (960kW each) electric boilers to provide full back up in the event there is a loss of natural gas service.	\$856k	Installation nearly complete. Finalizing controls design elements for integration with existing units.
<u>All</u> DEC Vehicles	This project will procure one new vehicle and transfer ownership of three LES fleet vehicles to DEC for exclusive DEC use, enhancing productivity.	\$125k	Three LES fleet vehicles transferred, rebrand pending. PO issued for new DEC vehicle; anticipated delivery in July.

\* Budget column shows total project authorization. Capital spend occasionally shifts from year-to-year.



**DEC**  
ENERGY

Potential New Customer  
Connections / Discussions

# DEC New Customer Discussions

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- Convention Center
  - Inquiry on existing utilities
- South Haymarket
  - Explore cost of future service extension



**DEC**  
ENERGY

# Comments/Questions

\*Seek motion to accept the management report

# Standard Contract

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- Staff and David Levy negotiated standard service and consulting contract with Burns & McDonnell.
- If approved, agreement allows DEC to enter into future tasking letters for engineering services.
  - These services are utilized only when the project/expense has received Board budget approval.
- Standard agreement reduces administrative overhead costs if/when we need services.

\*Request motion authorizing chairman to approve agreement.

# TAB IV

# **DISTRICT ENERGY CORPORATION STANDARD SERVICE/CONSULTING CONTRACT**

This contract is made and entered into on this \_\_\_\_\_ day of \_\_\_\_\_ by and between District Energy Corporation, a Nebraska nonprofit corporation organized pursuant to the Nebraska Nonprofit Corporation Act and Interlocal Cooperation Act, (hereinafter referred to as "DEC") and Burns & McDonnell Engineering Company, Inc. (hereinafter referred to as "Contractor"). For the purposes of this contract, wherever the word "Contractor" is used it shall mean the party to the contract other than DEC.

NOW, THEREFORE, based upon the mutual covenants contained herein, DEC and Contractor agree as follows:

## **ARTICLE I SCOPE OF WORK**

1.1 The Scope of Work (SOW) is defined as the detailed explanation of the services to be provided and deliverables to be delivered to DEC pursuant to the terms of this Contract, together with a chronological division of services to be provided and work to be performed, time limits for completion, and costs and expenses to be paid by DEC to Contractor as full compensation for the services, and deliverables.

The Scope of Work shall be as agreed to between DEC and Contractor in a separate attachment to this Contract to be incorporated herein and made a part hereof, which, together with any subsequent Written Amendments/Change Orders, shall comprise the Contract Documents. To the extent that any term or provision included within the SOW conflicts with or adds to the terms of this Contract, the terms of the SOW shall prevail.

1.2 Contractor shall perform such duties, services and tasks, and provide such deliverables as described in the attached SOW (hereinafter "Work"). Contractor agrees that all Work hereunder will be accomplished in a professional manner exercising reasonable skill, care, and diligence of the type employed by similarly situated professionals performing services of the same type and in the same geographic area as the Work being performed and in accordance with customarily accepted professional engineering practices ("Standard of Care"). If Contractor fails to meet the foregoing standard, Contractor will reperform at its own cost, the professional services necessary to correct negligent errors and omissions reported to Contractor in writing within one year from the completion of Contractor's Work for the Project. No warranty, express or implied, is included in this Agreement or regarding any drawing, specification, or other work product or instrument of service. THESE MUTUALLY NEGOTIATED OBLIGATIONS AND REMEDIES STATED IN THIS SECTION 1.2 ARE THE SOLE AND EXCLUSIVE OBLIGATIONS OF CONTRACTOR AND REMEDIES OF DEC WITH RESPECT TO DEFECTS OR THE QUALITY OF THE SERVICES PROVIDED UNDER CONTRACTOR'S SCOPE.

1.3 For purposes of this Contract, the Contract Owner for DEC shall be Aaron Evans and the Manager, Supply Chain, shall be Todd Dlouhy, or such other person or persons as DEC may designate in writing delivered to Contractor as hereinafter provided.

## **ARTICLE II CONTRACT PRICE**

- 2.1 Contract Price. DEC hereby agrees to pay to the Contractor the sum as defined in the applicable Scope of Work for all Work to be performed under this Contract by Contractor as follows:
- 2.2 Payments. The SOW shall include a schedule, agreed to between DEC and Contractor, setting forth the date or dates upon which the Work, or phases thereof, shall be commenced and completed and a date or dates upon which deliverables shall be delivered to DEC. Such schedule will serve as the basis for payments. The Contractor shall submit to DEC Accounts Payable an itemized invoice, including any applicable sales taxes for payment with a copy to the Contract Owner, together with appropriate documentation evidencing that the applicable deliverables have been met within 6 months of the applicable deliverables being completed. Upon receipt of the invoice, DEC shall make payments of the undisputed amount of the invoice within 30 days after receipt of the invoice. If DEC disputes any portion of the invoice, DEC will provide written notice within five days of receipt and will pay the undisputed portion of the invoice by its due date. A late payment charge will be added to all amounts not paid within 30 days of invoice date and shall be calculated at lesser of 1.5 percent per month or maximum allowed by law from invoice date.

## **ARTICLE III ROYALTIES AND PATENTS**

The consideration paid to Contractor hereunder includes, without exception, all royalties and costs arising from patents, trademarks, and copyrights in any way related to the Work. The Contractor shall indemnify and hold harmless DEC from any and all claims for infringement by the use of any such patented design, device, material, process, trademark or copyright, in connection with the Work. The Contractor shall indemnify DEC for any costs, expenses, and damages that DEC may be obligated to pay, for any such claims. The indemnification provided herein shall apply at any time during the Work and shall continue after the completion of the Work indefinitely. The indemnification in this Article III shall not apply to the extent that the right that is a subject of any alleged infringement claim was supplied in accordance with DEC's design or instruction, or the infringing Work or deliverable was modified by DEC or was combined by DEC with items not furnished pursuant to the Agreement.

## **ARTICLE IV SUBCONTRACTORS**

Contractor shall be responsible to DEC for all acts and omissions of subcontractors, suppliers, and other individuals or entities performing or furnishing any of the Work just as Contractor is responsible for Contractor's own acts and omissions in performance of its Work. Nothing in this Contract or any SOW shall create for the benefit of any such subcontractor, supplier, or other individual or entity any contractual relationship between DEC and any such contractor, supplier, or other individual or entity, nor shall it create any obligation on the part of DEC to pay or see to the payment of any monies due to any such subcontractor, supplier, or other individual or entity except as may otherwise be required by law.

Contractor shall be solely responsible for scheduling and coordinating the work of subcontractors, suppliers, and other individuals or entities performing or furnishing any of the Work under a direct or indirect contract with Contractor. Contractor shall require all subcontractors, suppliers, and such other individuals or entities performing or furnishing any of the Work to communicate with the Contract Owner through Contractor.

Contractor may engage temporary staffing agencies or obtain assistance from its affiliates and subsidiaries including, without limitation, Burns & McDonnell Canada Ltd., Burns & McDonnell Global, Inc., and Burns & McDonnell Engineering India Pvt. Ltd. ("Labor Sources") to fulfill Contractor's performance obligations under this Agreement. The parties agree that contracts, purchase orders, or similar agreements between Contractor and any Labor Sources are not subcontracts as that term is used in this Agreement, and personnel from such Labor Sources shall not be considered a subcontractor and shall be billed according to the applicable rate sheet for the Scope of Work as if such personnel is a direct hire employee. Personnel from Labor Sources shall perform in accordance with Contractor's Standard of Care and shall be considered agents of Contractor and able to act on behalf of Contractor within the scope of the authority granted such personnel according to job function and billing classification.

## **ARTICLE V TIME; CHANGES OF CONTRACT TIMES**

- 5.1 Time for Starting and Completion; Time of Importance. The Contractor shall commence performance in accordance with the schedule included in the SOW and endeavor to complete the Work within all agreed time limits. Time is of importance of this contract.
- 5.2 Extension of Time Limits; Force Majeure.
- a) Change Orders/Written Amendment. Time limits within this Contract and each SOW may only be changed by a Change Order or a Written Amendment. The Contractor, in undertaking to complete the Work, shall take into consideration and make allowances for all known delays and hindrances incident to such Work.
  - b) Force Majeure. Adjustments to any time limit in this Contract and each SOW will be made for delays in completion of the Work from causes beyond Contractor's control, including but not limited to the following:
    - 1) Acts of God, including significant weather events.
    - 2) Federal embargoes, priority orders, or other restrictions imposed by the United States Government.
    - 3) Strikes and other labor disputes.
    - 4) Delays caused by court proceedings.
    - 5) Conflicts, errors or discrepancies in the Contract or SOW reported to the Contract Owner as provided in this Contract.

No extension of a time limit will be granted for delays which do not directly affect the time required for completion of the entire Work.

Any claim for an extension of a time limit shall be delivered in writing to DEC within ten (10) days of the understanding of the impact of the event giving rise to the claim. All claims for extension of a time limit shall include reasonable details of the event and efforts to mitigate the impacts and will be determined by the Manager, Supply Chain, if the Contract Owner and Contractor cannot otherwise agree. Any change to a time limit resulting from any such claim will be incorporated in a Change Order or a Written Amendment.

The provisions of this Section shall not exclude recovery for damages (including, but not limited to, fees and charges of engineers, architects, attorneys and other professionals and court and arbitration costs) for delay by either party.

## **ARTICLE VI REQUIREMENTS CHANGES; PRICE CHANGE**

Any change in the work requirements, contract time or contract price shall only be effective upon the execution by both parties of a Change Order or Written Amendment. No Change Order or Written Amendment shall be authorized by DEC unless accompanied by a Purchase Order executed by the Manager, Procurement & Stores, or the Manager, Procurement & Store's, designee.

Should a change in law, changed or unexpected site conditions, an act or omission of DEC or its other contractors, an error or change in information provided by DEC, an event of force majeure, or any event beyond the reasonable control of Contractor affect the Work, increase Contractor's costs, or delay the Contractor's ability to meet the agreed upon schedule, Contractor shall be entitled to request an equitable change to the Work and equitable adjustment in the compensation and agreed schedule.

## **ARTICLE VII INDEMNIFICATION; INSURANCE; RISK OF LOSS**

7.1 Indemnification. Each Party agrees to indemnify the other Party and its or their officers, affiliates, and employees and hold it or them harmless from and against damages, losses, and expenses (including reasonable attorneys' fees and costs) which have or may be asserted against a Party by any person or entity for personal injury or third-party property damage to the extent that they are caused by the negligent or willful acts or omissions of the Contractor or DEC in the provision of services under this Contract. A Party shall give the other Party reasonable notice of any such claims or actions, including a copy of every demand, notice, summons or other process received in any claim or legal proceeding covered hereby.

7.2 Insurance.

7.2.1 Contractor shall procure and maintain, at its sole expense and until acceptance not unreasonably withheld of Contractor's Work or services by DEC, insurance as hereinafter enumerated.

7.2.2 Contractor shall submit to DEC at the time Contractor executes this Contract, a Certificate of Insurance, in form satisfactory to DEC, evidencing that satisfactory coverage of the type and limits set forth herein are in effect. Contractor shall promptly give written notice to DEC of any cancellation or material changes (a change that would result in non-compliance with limits set forth herein) in the policies. Irrespective of the requirements as to insurance to be carried as provided for herein, the insolvency, bankruptcy or failure of any insurance company carrying insurance of Contractor, or the failure of any insurance company to pay claims accruing, or the inadequacy of the limits of the insurance, shall not affect, negate or waive any of the obligations of the Contractor to maintain insurance as required by this Contract.

7.2.3 Contractor agrees to require its Commercial General Liability and Auto Liability policies of insurance, except Workers' Compensation coverage and Professional Liability coverage, that are secured and maintained by Contractor or its subcontractor, to include DEC, its officers, directors, employees as Additional Insureds. Furthermore, Contractor shall waive all rights of recovery against DEC, its officers, directors and employees which Contractor may have or acquire because of deductible clauses in or inadequacy of limits

of such policies of insurance where DEC is included as an additional insured and maintained by Contractor, where allowed by law.

7.2.4 Contractor agrees to require all such policies of insurance which are in any way related to the work and that are secured and maintained by Contractor or its subcontractor, to include clauses providing that each underwriter shall waive its rights to recovery, under subrogation or otherwise, against DEC, its officers, directors and employees.

7.2.5 Contractor shall maintain the following insurance during the term of the contract.

(a) **WORKERS' COMPENSATION AND EMPLOYERS LIABILITY INSURANCE** Contractor agrees to comply with workers' compensation laws of the state where any portion of the work is performed and maintain a workers' compensation and employers liability policy. This policy shall be endorsed to provide: all state coverage, voluntary compensation coverage, and occupational disease.

Workers Compensation	Statutory
Employers Liability	\$500,000 Each Accident
	\$500,000 Disease – Each Person

(b) **COMMERCIAL GENERAL LIABILITY INSURANCE** Commercial General Liability insurance, endorsed to provide coverage for: Explosion, Collapse and Underground Damage to property of others; Contractual Liability; Contractor's Protective Liability (if subcontracting is authorized) and Products and Completed Operations (for one (1) year after completion of the work).

General Aggregate (Other than Products/Completed Operations)	\$500,000
Products/Completed Operations Aggregate	\$500,000
Personal and Advertising Injury Each Occurrence	\$500,000
Fire Damage	\$300,000
Medical Expenses (Any One Person)	\$50,000
	\$5,000

(c) **PROFESSIONAL LIABILITY INSURANCE (Errors and Omissions)** Professional liability insurance to cover negligent performance of the Work \$500,000 per claim and annual aggregate

(d) **COMPREHENSIVE AUTOMOBILE LIABILITY INSURANCE** Comprehensive Automobile Liability insurance which shall include coverage for all owned, non-owned and hired vehicles.

Automobile Liability	\$1,000,000	combined
		single limits per accident

7.3 Title Transfer and Risk of Loss. Not Applicable.

7.4 Mutual Waiver of Subrogation. DEC and Contractor waive all rights of recovery and subrogation against each other and their officers, directors, agents, or employees for damage covered or coverable by property insurance (including deductibles and self-insurance) during and after the completion of Contractor's Work under the applicable Scope of Work.

## **ARTICLE VIII DISPUTES**

In the event of any dispute, claim, question or disagreement arising from or relating to this Contract or the breach thereof, the parties hereto shall use their best efforts to settle the dispute, claim, question or disagreement. To this effect, they shall consult and negotiate with each other in good faith and, recognizing their mutual interests, attempt to reach a just and equitable solution satisfactory to both parties. If the dispute cannot be settled through negotiation, the parties agree first to try in good faith to settle the dispute by mediation before resorting to litigation (unless necessary to avoid the expiration of any applicable statute of limitations) or the exercise by DEC or Contractor of such rights or remedies as either may otherwise have under the Contract Documents or by Laws or Regulations in respect of any such dispute, claim, question or disagreement. THE PARTIES EXPRESSLY AGREE TO WAIVE ALL RIGHTS TO JURY TRIAL.

## **ARTICLE IX TERMINATION**

9.1 Termination for Default. DEC may terminate this Contract upon the occurrence of any one or more of the following events:

- a) If Contractor commences a voluntary case under any chapter of the Bankruptcy Code (Title 11, United States Code), as now or hereafter in effect, or if Contractor takes any equivalent or similar action by filing a petition or otherwise under any other federal or state law in effect at such time relating to bankruptcy or insolvency.
- b) If a petition is filed against Contractor under any chapter of the bankruptcy code as now or hereafter in effect at the time of filing, or if any creditor is granted relief against Contractor under any other federal or state law in effect at the time relating to bankruptcy or insolvency.
- c) If Contractor makes a general assignment for the benefit of creditors.
- d) If a trustee, receiver, custodian or agent of Contractor is appointed under applicable law or under contract, whose appointment or authority to take charge of property of Contractor is for the purpose of enforcing a Lien against such property or for the purpose of general administration of such property for the benefit of Contractors' creditors.
- e) If Contractor admits in writing an inability to pay its debts generally as they become due.
- f) If Contractor fails to perform in accordance with the Contract and any SOW after being given the opportunity to cure any deficient performance.
- g) If Contractor refuses to comply with Laws or Regulations of any public body having jurisdiction.
- h) If Contractor refuses to comply with the authority of Contract Owner, or the Manager, Procurement & Stores.
- i) If Contractor otherwise violates any provision of the Contract or any SOW after being given an opportunity to cure the violation.

If one or more of the events identified above occur, DEC may, after giving Contractor thirty (30) days written notice, terminate the services of Contractor, exclude Contractor from the site, and

take possession of the Work. In such case, Contractor shall not be entitled to receive any further payment until the Work is finished. If the unpaid balance of the Contract Price exceeds direct costs, losses, and damages (including but not limited to reasonable fees and charges of engineers, attorneys, and other professionals, and court or arbitration or other dispute resolution caused) sustained by DEC to complete the Work, such excess will be paid to Contractor. If such direct costs, losses, and damages exceed such unpaid balance, Contractor shall pay the difference to DEC.

- 9.2 Termination for Convenience. Upon thirty (30) days written notice to Contractor, DEC may, without cause and without prejudice to any other right or remedy of DEC, elect to terminate the Contract. In such case, Contractor shall be paid:
- a) For completed and acceptable Work executed in accordance with the Contract Documents prior to the effective date of termination, including fair and reasonable sums for overhead and profit for such work;
  - b) For expenses sustained prior to the effective date of termination in performing services and furnishing labor, materials, or equipment as required by the Contract Documents in connection with uncompleted work, plus fair and reasonable sums for overhead and profit on such expenses;
  - c) For all claims, costs, losses, and damages incurred in settlement of terminated contracts with subcontractors, suppliers, and other; and
  - d) For reasonable expenses directly attributable to termination.

Contractor shall not be paid on account of loss of anticipated profits or revenue or other economic loss arising out of or resulting from such termination.

- 9.3 Suspension of Work. At any time and without cause, DEC may suspend the Work for a period of not more than ninety (90) consecutive days by notice in writing to Contractor which will fix the date on which Work will be resumed. Contractor shall resume the Work on the date so fixed. Contractor shall be allowed an adjustment in the Contract Price or an extension of the Contract Time, or both, directly attributable to any such suspension if Contractor makes a claim therefore in writing. All claims for an adjustment in the Contract Price or an extension of the Contract Time, or both will be determined by the Manager, Procurement & Stores, if the Contract Owner and Contractor cannot otherwise agree. Any resulting change in the Contract Time or Contract Price will be incorporated in a Change Order or Written Amendment.

- 9.4 Effects of Termination. In the event of termination prior to completion of construction documents, except when documents are marked "FOR CONSTRUCTION", "IFC" or other markings indicating that the designs are final and complete for use, DEC releases Contractor from any liability for such incomplete documents and waives all claims against Contractor on account of DEC's reliance upon such incomplete documents.

## **ARTICLE X FAIR EMPLOYMENT; LAWS**

- 10.1 Fair Employment Practices. Neither Contractor nor any of its subcontractors shall discriminate against any employee or applicant for employment to be employed in the performance of this contract with respect to hire, tenure, terms, conditions, or privileges of employment because of race, color, religion, sex, disability, national origin, ancestry, age or marital status.

- 10.2 E-Verify Provision. The Contractor is required and hereby agrees to use a federal immigration verification system to determine the work eligibility status of new employees physically performing services within the State of Nebraska. A federal immigration verification system means the electronic verification of the work authorization program authorized by the Illegal Immigration Reform and Immigrant Responsibility Act of 1996, 8 U.S.C. § 1324a, known as the E-Verify Program, or an equivalent federal program designated by the United State Department of Homeland Security or other federal agency authorized to verify the work eligibility status of a newly hired employee.
- 10.3 Governing Law. The Contract and all documents incorporated therein shall be construed pursuant to the law of the State of Nebraska.
- 10.4 Applicable Laws and Regulations. For Work done in Nebraska in the performance of the Contract, the Contractor shall maintain fair labor standard and comply with all laws and regulations enacted and promulgated by the United States, the state of Nebraska, or any political subdivision thereof which govern the conduct of the Contractor during the performance of its Work under this Contract, and they shall be deemed to be included in this Contract as though written out in full in this Contract. Specifically included in the laws to which Contractor shall comply, are: (1) Nebraska Workers' Compensation Act, §§ 48-101 to 48-1,110, R.R.S. 1943; (2) Employment Regulations, Chapter 48, Article 2, R.R.S. 1943; (3) Child Labor, Chapter 48, Article 3, R.R.S. 1943; (4) Health and Safety Regulations, Chapter 48, Article 4, R.R.S. 1943; (5) Employment Security Law, §§ 48-601 to 48-671 R.R.S. 1943; (6) Act Prohibiting Unjust Discrimination in Employment Because of Age, §§ 48-1001 to 48-1009, R.R.S. 1943; (7) Wage and Hour Act, §§ 48-1201 to 48-1209, R.R.S. 1943; (8) Nebraska Wage Payment and Collection Act.

## **ARTICLE XI CONFIDENTIAL INFORMATION; OWNERSHIP OF DOCUMENTS**

- 11.1 Confidentiality. Neither Contractor, nor any of its employees, shall disclose Confidential Information (as hereinafter defined), nor use Confidential Information in any way, directly or indirectly, except as required in the performance of this Contract. Contractor shall not divulge Confidential Information obtained pursuant to this Contract to anyone not in its employment except with the express written consent of DEC. "Confidential Information" means any material, data or information in whatever form or media of DEC which DEC desires to protect against disclosure or competitive use and that is clearly marked or identified "confidential" when provided to Contractor, regardless of the form in which maintained and shall include all information relating to the business of DEC, including, but not limited to information concerning customers, personnel, infrastructures, security procedures, facilities/building construction, blueprints and/or specifications, technical, business and financial strategies and planning, pricing information and any information relating to the operational structure of DEC, hardware and/or software, equipment, deliverables or services rendered under this Contract and all information and materials relating to third-party vendors, systems integrators or consultants of DEC. Contractor agrees to hold in confidence at all times, during the term of this Contract and after its completion for a period of (5) years, all Confidential Information and materials. Unless Contractor has received written authorization from DEC to the contrary, upon expiration, termination or completion of Contractor's services or upon the request of DEC, Contractor shall either:
- a) Return Confidential Information to DEC and provide DEC written clarification that all such Confidential Information has been returned; or

- b) Destroy Confidential Information and provide DEC with a notarized certification, signed by an authorized representative of Contractor, stating that Confidential Information has been destroyed.
- c) Notwithstanding the foregoing, Contractor shall be entitled to maintain a copy of such Confidential Information for its records.
- d) Contractor acknowledges that DEC is a political subdivision and as such is subject to certain statutes that limit its ability to maintain information as confidential and that require disclosure of certain information in response to certain types of requests. Contractor agrees that any such disclosure by DEC shall not constitute a breach of this Agreement.

Contractor shall have no obligation with respect to Confidential Information which is in the public domain, that was previously known by the Contractor, that is independently developed by Contractor, or which is received by Contractor from a third party who is not bound by a confidentiality agreement with respect to such information, or that is required to be released pursuant to Nebraska statute or an order from a court of competent jurisdiction requiring disclosure. Contractor shall be responsible for using commercially reasonable efforts to contractually require that any of its Subcontractors abide by the terms and conditions of this confidentiality provision or DEC Form 790, if applicable.

- 11.2 All documents of any kind or any nature, and in any form, whether hard copy or electronic, including, but not limited to: marketing plans; drawings; studies; websites; and any other documents, drawings, surveys, maps, booklets, pamphlets, or other materials developed, prepared, created, and provided to Contractor by DEC in the course of performing services under this Contract shall be and at all times remain the property of DEC. Contractor shall have no right to copyright, trademark, patent or otherwise claim any ownership rights in or to such materials. To the best of its knowledge, DEC warrants the completeness, accuracy, and efficacy of the information, data and designs provided by or through DEC (including prepared for DEC by others) for which Contractor shall rely on to perform and complete its services.
- 11.3 All documents and deliverables prepared by Contractor pursuant to this Contract are instruments of service in respect of the Project specified herein. They are not intended or represented to be suitable for reuse by DEC or others in extensions of the Project beyond that now contemplated or on any other Project. Any reuse, extension, or completion by DEC or others without written verification, adaptation, and permission by Contractor for the specific purpose intended will be at DEC's sole risk and without liability or legal exposure to Contractor. In the event that Contractor is to reuse, copy or adapt all or portions of reports, plans, or specifications prepared by others, DEC represents that it either possesses or will obtain permission and necessary rights in copyright, patents, or other proprietary rights and will be responsible for any infringement claims by others.

## **ARTICLE XII MISCELLANEOUS**

- 12.1 Contractor Relationship. The parties hereby agree that this Contract shall not be construed as forming a partnership or joint venture between the parties to this Contract. The parties further agree that Contractor and its employees, agents and subcontractors are performing services under this Contract as independent contractors and not as employees or agents of DEC. The parties do not intend to create in any other individual or entity the status of third party beneficiary

and this Contract shall not be construed so as to create such status. The rights, duties and obligations contained in this Contract shall operate only between the parties to this Contract, and shall inure solely to the benefit of the parties to this Contract. The Parties to this Contract intend and expressly agree that only Parties signatory to this Contract shall have any legal or equitable right to seek to enforce this Contract, to seek any remedy arising out of a party's performance or failure to perform any term or condition of this contract, or to bring an action for the breach of this Contract.

- 12.2 Successors and Assigns. All rights and obligations under this Contract shall inure to the benefit of and shall be binding upon the parties and their successors and assigns. Neither party shall assign this Contract, or delegate any of the responsibilities hereunder to a third party, without the prior written assent of the other party (which assent shall not be unreasonably withheld).
- 12.3 Records Retention; Audit. Contractor shall establish and maintain a reasonable accounting system that enables DEC to readily audit this Contract and any SOW. DEC and its authorized representatives shall have the right to audit, to examine at Contractor's office and upon reasonable advance written notice, directly pertinent financial records supporting the costs incurred by Contractor under this Contract and kept by or under the control of the Contractor, including, but not limited to those kept by the Contractor. Such records shall be limited to accounting records, paid vouchers including those for out-of-pocket expenses; other reimbursement supported by invoices; cancelled checks; deposit slips; contract amendments and change orders; timesheets; memoranda; and correspondence.

Contractor shall, at all times during the term of this contract and for a period of five (5) years after the completion of this contract, maintain such records, together with such supporting or underlying documents and materials. The Contractor shall at reasonable time requested by DEC, whether during or after completion of this contract and at Contractor's own expense make such records available for review by DEC. Such records shall be made available to DEC during normal business hours at the Contractor's office or place of business. In the event that no such location is available, then the financial records, together with the supporting or underlying documents and records, shall be made available for audit at a time and location that is convenient for both parties. Contractor shall use commercially reasonable efforts to contractually require that DEC has these rights with Contractor's assigns, successors, and Subcontractors, and the obligations of these rights in any subcontracts or agreements formed between the Contractor and any Subcontractors to the extent that those Subcontracts or agreements relate to fulfillment of the Contractor's obligations to DEC. Notwithstanding anything to the contrary herein, in no event shall DEC be entitled to audit the composition of any agreed upon fixed rates or percentage multipliers set forth in a Scope of Work nor shall it be entitled to audit any rates, charges, costs, hours worked, or expenses related to Work performed on a lump sum or fixed price basis.

Costs of any audits conducted under the authority of this right to audit and not addressed elsewhere will be borne by DEC unless certain exemption criteria are met. If the audit identifies overpricing or overcharges (of any nature) by the Contractor to DEC in excess of five (5%) of the total contract billings, the Contractor shall reimburse DEC for the total costs of the audit. If the audit discovers substantive findings related to fraud, misrepresentation, or non-performance, the Contractor shall reimburse DEC for total costs of audit. Any adjustments and/or payments that must be made as a result of any such audit or inspection of the Contractor's invoices and/or records shall be made within a reasonable amount of time (not to exceed 90 days unless otherwise agreed) from presentation of DEC's findings to Contractor.

12.4 Provisions of Contract as Controlling. In case of an actual or alleged disagreement or discrepancy between any of the Contract Documents, the Contract Documents shall be given precedence and considered controlling in descending order as follows:

- (a) Written amendment/Change Order
- (b) Scope of Work (SOW)
- (c) Contract

12.5 Notice. Any notices required or permitted to be given hereunder shall be given in writing and shall be delivered (a) in person, (b) by certified mail, postage prepaid, return receipt requested, (c) by facsimile, (d) by electronic notification (e-mail), or (e) by a commercial overnight courier that guarantees next day delivery and provides a receipt, and such notices shall be addressed as follows:

If to DEC:

\_\_\_\_\_  
P.O. Box 80869  
Lincoln, NE 68501  
Attention: \_\_\_\_\_, Contract Owner  
(402)

If by facsimile:  
If by e-mail:  
With a copy to:

If to Contractor:

Jon Schwartz  
777 Main Street  
Suite 2500  
Fort Worth, TX 76102

If by e-mail:  
With a copy to:

[jschwartz@burnsmcd.com](mailto:jschwartz@burnsmcd.com)  
[zpoos@burnsmcd.com](mailto:zpoos@burnsmcd.com)

or to such other address, facsimile number, or e-mail address as either party may from time to time specify in writing to the other party. Any notice shall be effective only upon delivery, which for any notice given by facsimile shall mean notice that has been received by the party to whom it is sent as evidenced by confirmation slip, and which for any electronic notification shall mean one day following transmittal by internet.

12.6 Entire Agreement. The Contract Documents form the entire agreement between DEC and Contractor and by incorporation herein are as fully binding on the parties as if repeated herein. No oral representations or other agreements have been made by the parties except as specifically stated in the Contract Documents. Both parties agree that the pre-printed Warranties and Guarantees section of any issued purchase order terms and conditions do not apply to the Work.

12.7 Authority to Sign Contract. The person signing this Contract on behalf of DEC and the Contractor represent and warrant that said person has the legal authority to bind and obligate DEC and the Contractor to the terms and conditions of this Contract. Proof of such authority via Contractor's signature authority policy shall be provided upon DEC's reasonable written request.

12.8 Estimates. Estimates, schedules, forecasts, and projections prepared by Contractor relating to loads, interest rates and other financial analysis parameters, construction costs and schedules,

operation and maintenance costs, equipment characteristics and performance, and operating results are opinions based on Contractor's experience, qualifications, and judgment as a professional. Since Contractor has no control over weather, cost and availability of labor, cost and availability of material and equipment, cost of fuel or other utilities, labor productivity, construction contractor's procedures and methods, unavoidable delays, construction contractor's methods of determining prices, economic conditions, government regulations and laws (including the interpretation thereof), competitive bidding or market conditions, and other factors affecting such estimates or projections, Contractor does not guarantee that actual rates, costs, quantities, performance, schedules, etc., will not vary from estimates and projections prepared by Contractor.

- 12.9 On Site Services. Contractor shall not be responsible for, whether or not related to any Site visit: (a) construction means, methods, techniques, sequences, procedures, or safety precautions and programs in connection with work related to the Work; (b) the failure of any of DEC's other contractors or consultants or their respective employees, subcontractors, vendors, or other project participants, not under contract to Contractor, to fulfill contractual responsibilities to DEC or to comply with federal, state, or local laws, regulations, and codes; or (c) procuring permits, certificates, and licenses required for any construction. Contractor shall not have the authority to direct, control or stop the work of DEC's contractors or consultants or their respective employees, subcontractors or vendors.

DEC shall disclose to Contractor the location and types of any known or suspected toxic, hazardous, or chemical materials or waste existing on or near the premises upon which work is to be performed by Contractor's employees or subcontractors. If any hazardous wastes not identified by DEC are discovered after a Project is undertaken, DEC and Contractor agree that the scope of services, schedule, and compensation may be adjusted accordingly. DEC agrees to release and indemnify Contractor from all damages related to any pre-existing pollutant, contaminant, toxic, or hazardous substance at the site.

- 13.0 Limitations of Liability. In no event will either Party be liable for any special, indirect, or consequential damages, whether arising in contract, warranty, tort (including negligence), strict liability, or otherwise, including, without limitation, damages or losses in the nature of increased project costs, loss of anticipated revenue or profit, delay, loss of reputation or business opportunity, loss of use, loss of product or lost production, or for governmental fines or penalties.

Except for third party property damage to the extent caused by Contractor's gross negligence, willful misconduct, and fraud, or Contractor's and third party indemnification obligations for bodily injury, death, or property damage, to the fullest extent permissible by law, and notwithstanding any other provision of this Agreement, the total liability, in the aggregate of Contractor, its officers, directors, shareholders, employees, affiliates, agents, subcontractors and subconsultants, of any tier, to DEC and anyone claiming by, through or under DEC, for any and all claims, losses, liabilities, costs or damages whatsoever arising out of, resulting from or in any way related to this Contract and Scope of Work from any form of negligence, professional errors or omissions (including breach of contract or warranty), strict liability, tort, indemnity, cost of remedy, SHALL NOT EXCEED the total compensation actually received by the Contractor under the Scope of Work.

"Gross Negligence" means (i) that from the actor's standpoint, the negligent act or omission complained of involved an extreme degree of risk, considering the probability and magnitude of the potential harm to others, and (ii) that the actor had actual subjective awareness of the risk involved but nevertheless proceeded in conscious indifference of the rights and safety or welfare of others.

## SIGNATURES

In witness whereof the parties have executed this contract as of the day and year first written above.

By \_\_\_\_\_  
Todd Dlouhy  
Lincoln Electric System  
Manager, Procurement & Stores

District Energy Corporation

By \_\_\_\_\_  
Sean Flowerday  
Chair, DEC Board of Directors

Contractor

By \_\_\_\_\_  
Jon Schwartz  
Burns & McDonnell  
Regional Global Practice Manager

# TAB V



# **1<sup>st</sup> Quarter Financial Report**

*DEC Administrative Board  
April 21, 2026*

*Wade Leibbrandt  
LES Finance Director; DEC CFO*



# Q1 2026 Financial Summary

- YTD Change in Net Position is \$213K, 62.3% above budget.
- Investment Income is \$17K, or 23.3%, above budget.
- Expect to see O&M costs level out in Q2 following expected payments for annual service agreements.

\$ in Thousands	2026 Actual	2026 Budget	\$ Var	% Var
<b>Operating Revenue</b>	<b>\$3,462</b>	<b>\$3,530</b>	<b>(\$68)</b>	<b>-1.9%</b>
Energy	\$782	\$868	(\$86)	-9.9%
O&M	\$420	\$535	(\$115)	-21.5%
A&G	\$561	\$610	(\$50)	-8.1%
Depreciation	\$914	\$925	(\$11)	-1.2%
<b>Total Operating Expenses</b>	<b>\$2,678</b>	<b>\$2,939</b>	<b>(\$262)</b>	<b>-8.9%</b>
<b>Non-Operating Expenses (Income)</b>	<b>\$230</b>	<b>\$249</b>	<b>(\$19)</b>	<b>-7.7%</b>
<b>Change in Net Position</b>	<b>\$555</b>	<b>\$342</b>	<b>\$213</b>	<b>+62.3%</b>

Green variance represents a positive impact to the overall Change in Net Position.  
Red variance represents a negative impact to the overall Change in Net Position.



# 2026 YTD Revenue

About 81% of DEC's Revenue is through fixed demand charges.

\$ in Thousands

Actual Revenue	Budget Revenue	\$ Var	% Var
\$3,462	\$3,530	-\$68	-1.9%

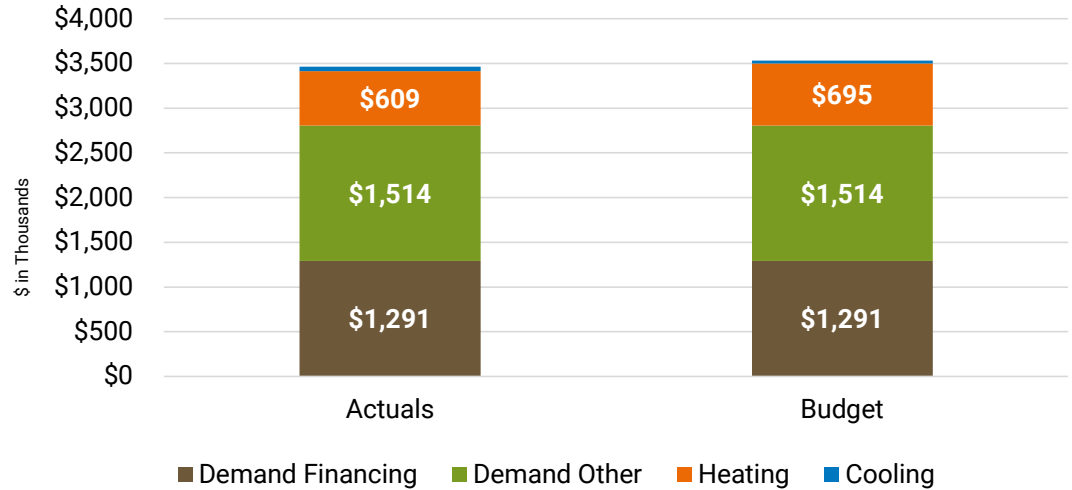
# 2026 YTD Sales

2026 weather has been warmer than normal, with heating degree days being 14.2% below average.

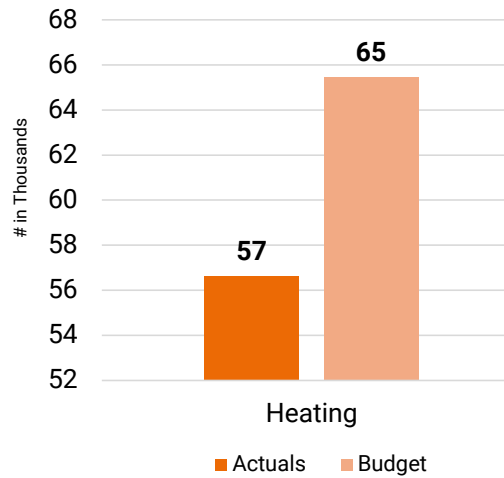
# in Thousands	Actual MMBtu	Budget MMBtu	Var	% Var
Heating	57	65	-9	-13.5%
Cooling	10	7	+3	+49.3%



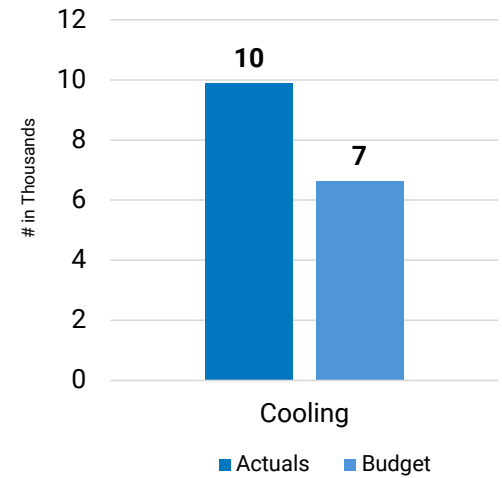
## 2026 Actual Revenue by Category



## Heating MMBtu Sales



## Cooling MMBtu Sales



# 2026 YTD Expenses

Expenses were 8.9% below budget due to:

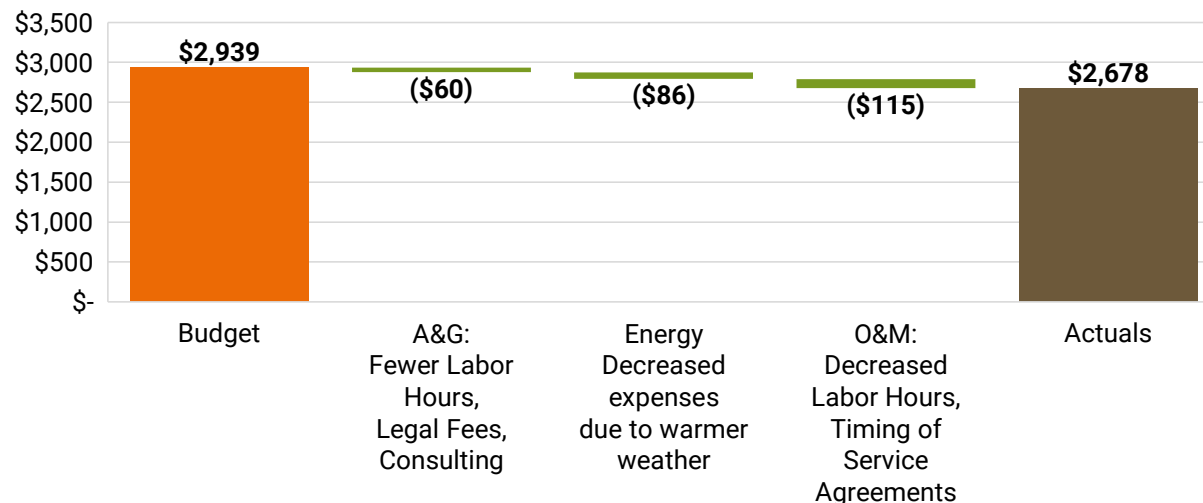
- Investment income about 17% higher than budget
- Fewer labor hours and lower than planned year-to-date outside legal costs, and other outside consulting.
- Timing of execution and payments for service agreements.

\$ in Thousands	Actual Expenses	Budget Expenses	Var	% Var
Operating	\$2,678	\$2,939	(\$262)	-8.9%
Non-Operating	\$230	\$249	(\$19)	-7.7%
<b>Total</b>	<b>\$2,908</b>	<b>\$3,188</b>	<b>(\$281)</b>	<b>-8.9%</b>



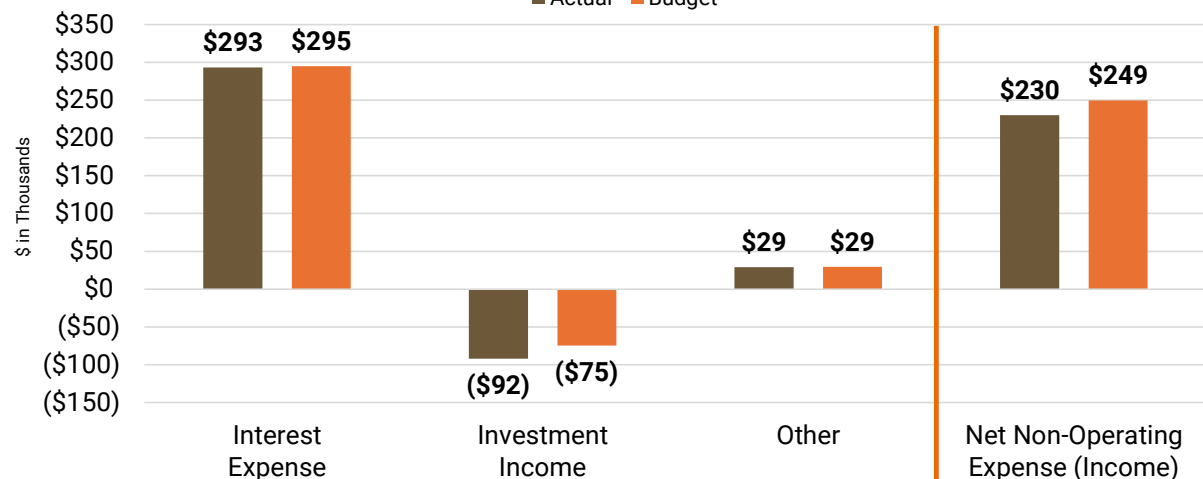
## Operating Expense Variance

\$ in Thousands



## Non-Operating Expenses

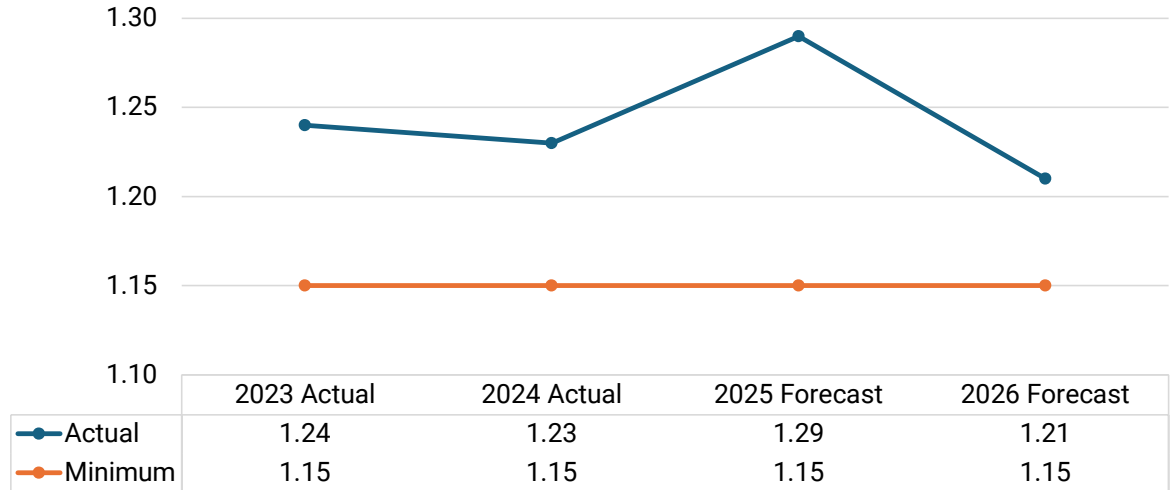
Actual Budget



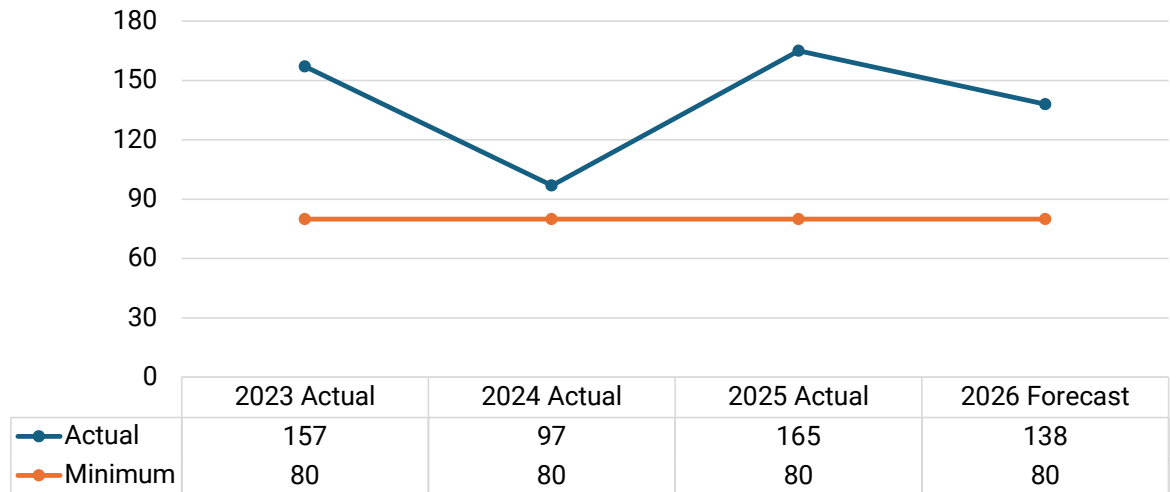
# 2026 YTD Financial Metrics

- DEC met the minimum targets for Debt Service Coverage and Days Cash on Hand.
- Consolidated metrics are reported externally; however, Debt Service Coverage and Days Cash on Hand are monitored by facility.
- DEC has \$900K outstanding on the JP Morgan revolving credit facility as of December 2025.

**Debt Service Coverage Ratio**



**Days of Cash on Hand**



# 2026 YTD Capital

- DEC has spent \$1.6M on active projects.
- Unused funds are carried forward from year-to-year as long as the project is active.

Active Projects \$ in Thousands	Approval Year	Life to Date (LTD) as of 03/31/2026*	Current Budget**	Remaining (\$)
DEC Vehicle Addition	2026	\$29	\$125	\$96
DEC Physical Security and Safety	2024	\$114	\$141	\$27
CC Safety/Security/Miscellaneous	2026	\$0	\$50	\$50
State DA Vessel Replacement	2025	\$160	\$150	<b>-\$10</b>
State Fuel Oil Filter Skid	2026	\$0	\$250	\$250
State Safety/Security/Miscellaneous	2026	\$0	\$30	\$30
CADF Loop Field Fluid Cooler	2024	\$807	\$827	\$20
CADF Multistack Update	2026	\$2	\$229	\$227
CADF Safety/Security/Miscellaneous	2026	\$0	\$111	\$111
WHM Boiler Addition	2024	\$464	\$856	\$392
WHM Safety/Security/Miscellaneous	2026	\$0	\$30	\$30
LOC Safety/Security/Miscellaneous	2026	\$0	\$50	\$50
NSP Safety/Security/Miscellaneous	2026	\$0	\$50	\$50
<b>Total</b>		<b>\$1,576</b>	<b>\$2,899</b>	<b>\$1,323</b>

\*Life-to-Date includes spending on projects that took place prior to 2026.

\*\*Current Budget reflects additional funds for active projects that were approved in the 2026 budget cycle.



# Annual Tax-Exempt Compliance Update

- The DEC Board first adopted tax-exempt compliance procedures in 2012
  - The last revision to the procedures occurred in 2021

- Bond counsel advises that issuers of tax-exempt bonds have a policy in place that has been adopted by the governing body
  - Outlines tasks that DEC will perform to ensure compliance

- Checklists completed annually to ensure compliance with reporting disclosures

- Examples include:

- Filing financial statements with Municipal Securities Rulemaking Board
- Disclosure of one of 16 material events, should they occur
  - Default, unplanned draws on reserve accounts, rating changes, etc.

- CFO has reviewed the checklists and found no deficiencies
  - As bond officer for DEC, CFO has certified checklists for DEC bond files

- Procedures provide that an annual update be provided to the Board on status of tax-exempt bond compliance. (This is that update)

Item	Question	Response	
		Yes	No
7	Did any of the following events occur with respect to the Bonds?		X
Material Event Filings	1) principal and interest payment delinquencies;		
	2) non-payment related defaults, if material;		
	3) unscheduled draws on debt service reserves reflecting financial difficulties;		
	4) unscheduled draws on credit enhancements reflecting financial difficulties;		
	5) substitution of credit or liquidity providers, or their failure to perform;		
	6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determination with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;		
	7) modifications to rights of bondholders, if material;		
	8) bond calls, if material, and tender offers;		
	9) defeasances;		
	10) release, substitution or sale of property securing repayment of the Bonds, if material;		
	11) rating changes;		
	12) bankruptcy, insolvency, receivership or similar event of the issuer or of any Counterparty;		
	13) the consummation of a merger, consolidation, or acquisition involving the issuer or a Counterparty or the sale of all or substantially all of the assets of the issuer or such Counterparty, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;		
	14) appointment of a successor or additional trustee or the change of name of the trustee, if material;		
	15) incurrence of a financial obligation (as defined in the Rule) of the issuer or a Counterparty, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation (as defined in the Rule) of the issuer or a Counterparty, any of which affect holders of the Bonds, if material; or		
16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation (as defined in the Rule) of the issuer or a Counterparty, any of which reflect financial difficulties.			
If "Yes," was Bond Counsel contacted and notice of the material event filed with the MSRB on EMMA?		Yes	
		No	
If No, contact Bond Counsel immediately and prepare and file any required notice with the MSRB on EMMA.			



District Energy Corp (DEC)  
Annual Compliance Checklist

16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation (as defined in the Rule) of the issuer or a Counterparty, any of which reflect financial difficulties.		
If "Yes," was Bond Counsel contacted and notice of the material event filed with the MSRB on EMMA?		Yes
		No
If No, contact Bond Counsel immediately and prepare and file any required notice with the MSRB on EMMA.		

Bond Compliance Officer: Wendy Bell

Date Completed: 4/10/24



# TAB VI

# District Energy Corporation

Independent Auditor's Report and Financial Statements

December 31, 2025 and 2024



**District Energy Corporation**  
**December 31, 2025 and 2024**

**Contents**

**Significant Events (Unaudited) ..... 1**

**Independent Auditor’s Report ..... 2**

**Management’s Discussion and Analysis (Unaudited) ..... 5**

**Financial Statements**

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Statements of Revenues, Expenses and Changes in Net Position ..... 15

Statements of Cash Flows ..... 16

Notes to Financial Statements..... 18

## 2025 SIGNIFICANT EVENTS (Unaudited)

- Aaron Evans was hired as the full-time District Energy Corporation (DEC) Manager in April of 2025.
- Wade Leibbrandt replaced Emily Koenig as Chief Financial Officer in July of 2025.
- The deaerator vessel at the State Boiler Plant (the “State”) was replaced as the vessel had reached the end of its service life. This will ensure continued operational reliability.
- Progress continued on the installation of a geothermal well field fluid cooler at the County Adult Detention Facility (CADF). This equipment is expected to be operational in the first half of 2026 and will balance well field temperature to ensure continued system efficiency and reliability.
- Progress continued on the installation of two additional electric boilers at the West Haymarket (WHM) plant. The boilers are intended to provide additional backup heating in the event that natural gas service is disrupted.
- Several other projects were completed to improve safety, security, and customer service at all DEC facilities. These included additional emergency light replacements and re-keying of several access doors.

## Independent Auditor's Report

Board of Directors  
District Energy Corporation  
Lincoln, Nebraska

### ***Opinion***

We have audited the financial statements of District Energy Corporation as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise District Energy Corporation'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 District Energy Corporation, as of December 31, 2025 and 2024, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

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

### ***Emphasis of Matter***

As discussed in Note 1, in 2025, District Energy Corporation adopted Governmental Accounting Standards Board Statement No. 103, *Financial Reporting Model Improvements*. Our opinion is not modified with respect to this matter.

### ***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 District Energy Corporation's ability to continue as a going concern for 12 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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of District Energy Corporation'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 District Energy Corporation'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 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory information but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

***Forvis Mazars, LLP***

**Lincoln, Nebraska  
April 8, 2026**

**District Energy Corporation**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2025 and 2024**

The Management's Discussion and Analysis (MD&A) serves as an introduction to the financial statements of District Energy Corporation (DEC). It is intended to be an objective and easily understandable analysis of significant financial and operating activities for the fiscal year ended December 31, 2025, compared to the fiscal year ended December 31, 2024. It also provides an overview of DEC's general financial condition and results of operations for the fiscal year ended December 31, 2024, compared to the previous fiscal year ended December 31, 2023. The MD&A should be read in conjunction with the financial statements and the notes to the financial statements.

DEC prepares its financial statements in accordance with Generally Accepted Accounting Principles (GAAP) for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB).

DEC adopted GASB Statement No. 103, *Financial Reporting Model Improvements*, as of January 1, 2024, the earliest period presented in the financial statements. In accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections*, the 2023 information contained in the MD&A was not restated for the change in accounting principle. See Note 2 - Accounting Change for additional information regarding this implementation.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

**Statement of Net Position** - This statement presents assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. Assets and liabilities are each divided to distinguish current and noncurrent. This statement reveals liquidity, financial flexibility and capital structure.

**Statement of Revenues, Expenses and Changes in Net Position** - Operating results are separated into operating revenues and expenses and nonoperating revenues and expenses. This statement is useful in analyzing financial health.

**Statement of Cash Flows** - This statement classifies sources and uses of cash summarized by operating, capital and related financing and investing activities.

**Notes to Financial Statements** - The notes provide additional information to support the Financial Statements.

# FINANCIAL SUMMARY AND DETAILED ANALYSES

## CONDENSED STATEMENTS OF NET POSITION

	2025	2024	2023
Current Assets	\$ 9,267,192	\$ 8,368,096	\$ 9,115,468
Noncurrent Assets	4,068,031	4,247,712	4,243,132
Capital Assets, net	54,299,021	57,278,630	59,715,395
Deferred Outflows of Resources	987,308	1,047,224	1,109,035
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 68,621,552</b>	<b>\$ 70,941,662</b>	<b>\$ 74,183,030</b>
Current Liabilities	\$ 5,647,713	\$ 5,176,337	\$ 7,013,298
Noncurrent Liabilities	51,172,618	56,006,966	59,117,414
<b>TOTAL LIABILITIES</b>	<b>56,820,331</b>	<b>61,183,303</b>	<b>66,130,712</b>
Net investment in capital assets	3,300,325	1,720,332	(117,312)
Restricted for debt service	2,566,313	2,503,371	2,259,503
Unrestricted	5,934,583	5,534,656	5,910,127
<b>NET POSITION</b>	<b>11,801,221</b>	<b>9,758,359</b>	<b>8,052,318</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 68,621,552</b>	<b>\$ 70,941,662</b>	<b>\$ 74,183,030</b>

### Comparison of 2025 to 2024

Total assets and deferred outflows of resources decreased by \$2,320,110, or 3.3 percent, in 2025 as compared to 2024. Current assets increased by \$899,096, or 10.7 percent, due primarily to higher cash balances resulting from lower operating and capital expenditures combined with higher investment income. Noncurrent assets decreased by \$179,681, or 4.2 percent, primarily due to reductions in the financing receivable for CADF resulting from normal principal payments received. Capital assets decreased by \$2,979,609, or 5.2 percent, primarily due to routine monthly depreciation. Deferred outflows of resources decreased by \$59,916, or 5.7 percent, due to the amortization of deferred losses on refunded debt.

Total liabilities decreased by \$4,362,972, or 7.1 percent, in 2025 compared to 2024. Current liabilities increased by \$471,376, or 9.1 percent, due to a higher related party accounts payable balance, which resulted from the timing of payments, and a routine reclassification of the current portion of long-term debt from noncurrent liabilities. Noncurrent liabilities decreased by \$4,834,348, or 8.6 percent, due to scheduled principal payments on revenue bonds and a \$300,000 principal payment on the line of credit.

### Comparison of 2024 to 2023

Total assets and deferred outflows of resources decreased by \$3,241,368, or 4.4 percent, in 2024 as compared to 2023. Current assets decreased by \$747,372, or 8.2 percent, due primarily to lower cash and investment balances and the West Haymarket valve project being fully amortized. Noncurrent assets increased by \$4,580, or 0.1 percent, primarily due to higher bond reserve fund balances. Capital assets decreased by \$2,436,765, or 4.1 percent, primarily due to routine monthly depreciation. Deferred outflows of resources decreased by \$61,811, or 5.6 percent, due to the amortization of deferred losses on refunded debt.

Total liabilities decreased by \$4,947,409, or 7.5 percent, in 2024 compared to 2023. Current liabilities decreased by \$1,836,961, or 26.2 percent, due to decreased accounts payable and a reclassification of the line of credit agreement to noncurrent liabilities. Noncurrent liabilities decreased by \$3,110,448, or 5.3 percent, due to principal payments on long-term debt and the reclassification of the line of credit agreement from current liabilities.

## CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2025	2024	2023
Operating Revenues	\$ 13,080,561	\$ 12,315,942	\$ 12,505,413
Operating Expenses	10,041,305	9,930,292	9,644,776
OPERATING INCOME	3,039,256	2,385,650	2,860,637
Interest Expense	(1,336,453)	(1,410,927)	(1,467,826)
Other Nonoperating Revenues	340,059	731,318	473,368
TOTAL NONOPERATING EXPENSES	(996,394)	(679,609)	(994,458)
CHANGE IN NET POSITION	\$ 2,042,862	\$ 1,706,041	\$ 1,866,179

## OPERATING REVENUES

### Comparison of 2025 to 2024

Operating revenues for 2025 were \$13,080,561, an increase of \$764,619, or 6.2 percent, compared to 2024 operating revenues of \$12,315,942. Operating revenues increased primarily due to higher heating and cooling usages and increased demand rates in 2025.

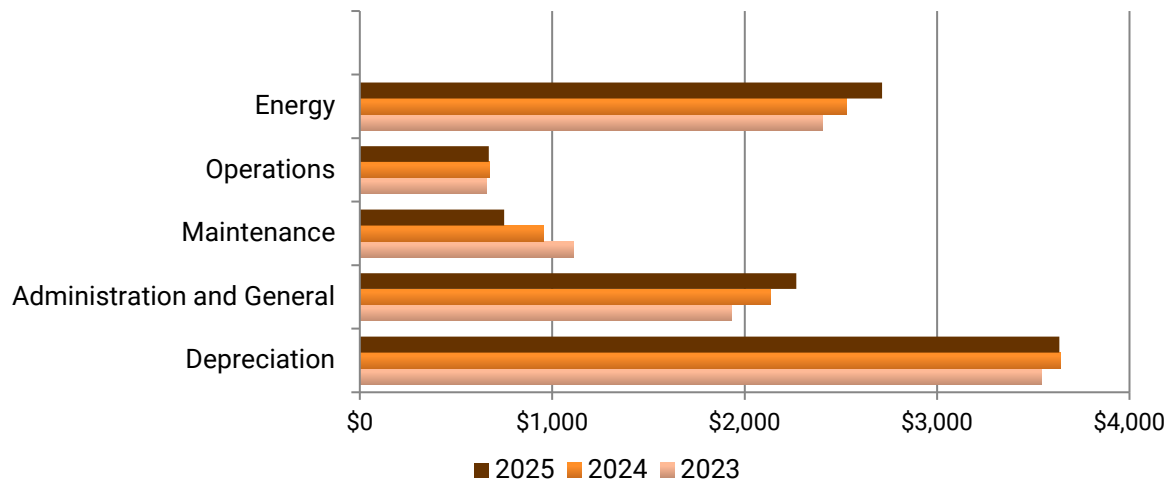
### Comparison of 2024 to 2023

Operating revenues for 2024 were \$12,315,942, a decrease of \$189,471, or 1.5 percent, compared to 2023 operating revenues of \$12,505,413. Operating revenues decreased primarily due to lower heating usage in most plants.

## RATES

DEC's rates are designed using cost of service principles. An annual budget, which includes operating, maintenance, administration and general, depreciation, capital, and recommended rates, is approved by the Board. Customers pay the monthly charges as outlined in the Energy Service Agreements, which are subject to adjustment by DEC based on the cost of service. Additionally, the rates may be modified by DEC at any time with a 60-day written notice to the customer.

**OPERATING EXPENSES**  
(Dollars in thousands)



**Comparison of 2025 to 2024**

Operating expenses for 2025 were \$10,041,305, an increase of \$111,013, or 1.1 percent, over 2024 operating expenses of \$9,930,292. Energy expenses increased by \$186,687, or 7.4 percent, primarily due to higher natural gas and electricity expenses from higher customer demand. Operation and maintenance expenses decreased by \$205,060, or 12.6 percent, primarily due to the deferred operating costs of the WHM valve project being fully amortized by the end of 2024. Administration and general expenses increased by \$133,311, or 6.2 percent, due to increased labor costs. Depreciation expense decreased by \$3,925, or 0.1 percent, according to routinely scheduled depreciation.

**Comparison of 2024 to 2023**

Operating expenses for 2024 were \$9,930,292, an increase of by \$285,516, or 3.0 percent, over 2023 operating expenses of \$9,644,776. Energy expenses increased by \$125,366, or 5.2 percent, primarily due to increased electricity and water cooling expenses. Operation and maintenance expenses decreased by \$138,681, or 7.9 percent, primarily due to decreased outside service expenses. Administration and general expenses increased by \$201,473, or 10.4 percent, due to increased labor and outside service expenses. Depreciation expense increased by \$97,358, or 2.7 percent, due to additional depreciable assets added during the year.

## FINANCING

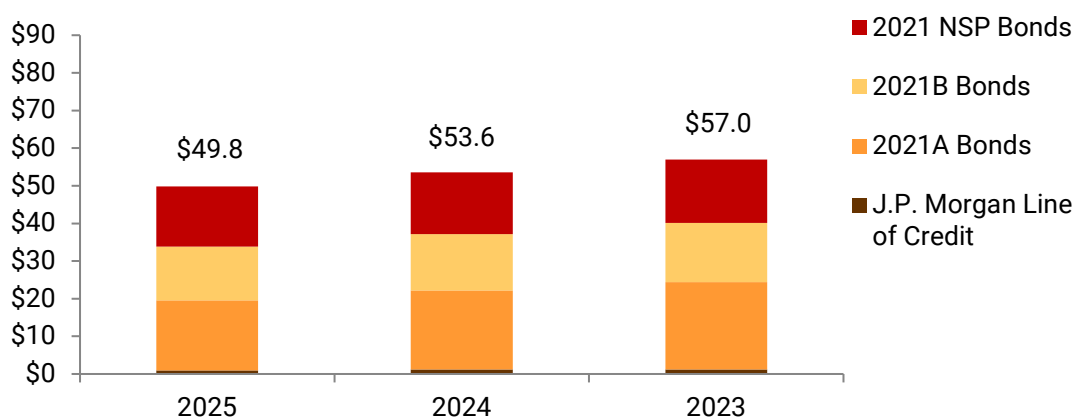
In 2021, DEC entered into a \$5,000,000 line of credit agreement with J.P. Morgan Chase Bank, N.A to provide short-term liquidity as well as interim financing for current and future capital investments. The line of credit agreement allows for both tax-exempt and taxable borrowings. In 2024, the line of credit agreement was amended to extend the expiration date to August 2027. The amount outstanding under this line of credit was \$900,000 and \$1,200,000 as of December 31, 2025 and 2024, respectively.

DEC has not issued any long-term debt since 2021.

The following graph shows outstanding debt as of December 31, 2025, 2024, and 2023.

### Outstanding Debt

(Dollars in millions)



## RATINGS

In establishing an entity's bond rating, bond rating agencies consider an entity's operations, characteristics and financial strength. Fitch Ratings (Fitch) and Standard & Poor's Global Ratings (S&P) assigned ratings for the Series 2021 Bond issuances.

The credit ratings in effect on December 31, 2025, were as follows:

	S&P	Fitch
2021A Facility Revenue Refunding Bonds	AA+	AA+
2021B Facility Revenue Refunding Bonds	AA+	AA+
2021 NSP Facility Revenue Bonds	AA+	AA

## DEBT SERVICE COVERAGE

The following table calculates the debt service coverage ratio. The ratio reflects DEC's year-end funds available to pay its debt obligations. DEC's bond resolution establishes a debt service coverage requirement of 1.0.

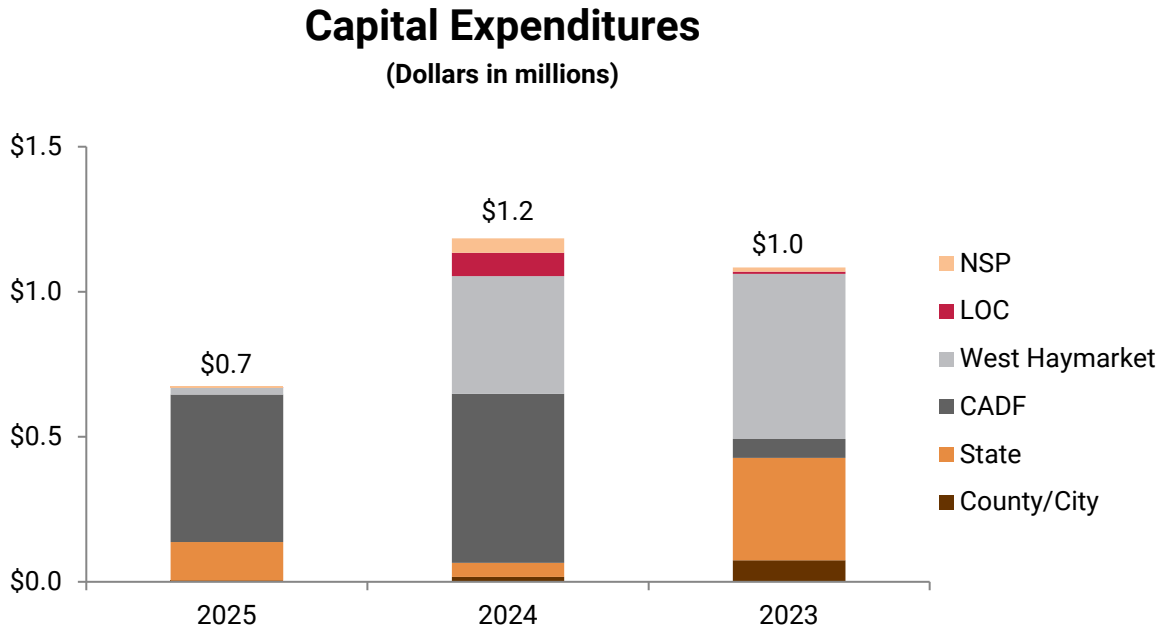
	2025	2024	2023
OPERATING REVENUE	\$ 13,080,561	\$ 12,315,942	\$ 12,505,413
Energy	2,715,179	2,528,492	2,403,126
Operations	671,325	672,261	656,589
Maintenance	750,043	954,167	1,108,520
Administration and General	2,268,875	2,135,564	1,934,091
TOTAL OPERATING EXPENSES (EXCLUDING DEPRECIATION)	6,405,422	6,290,484	6,102,326
Net Operating Revenue	6,675,139	6,025,458	6,403,087
Interest Income*	435,765	448,198	447,021
Transfer from (to) Rate Stabilization Fund	18,907	-	(69,000)
Financing Receipts**	137,335	191,362	238,749
AVAILABLE FOR DEBT SERVICE	7,267,146	6,665,018	7,019,857
DEBT SERVICE	\$ 5,528,010	\$ 5,579,036	\$ 5,642,140
DEBT SERVICE COVERAGE RATIO	1.31	1.19	1.24

\*Excludes interest from Rate Stabilization Fund.

\*\*Financing receipts for energy efficiency projects related to the CADF Thermal Plant and State of Nebraska (see Note 3).

## CAPITAL EXPENDITURES

Capital expenditures for 2025, 2024, and 2023 are shown in the graph below.



Significant projects during 2025 included:

- DEC General Capital Plant
  - Additional electric card access was installed to generator control rooms along with new refrigerant leak detection. Emergency lights were replaced at several facilities.
- County Adult Detention Facility Plant
  - Installation of a loop field fluid cooler for the geothermal well field is ongoing. The purpose of this equipment is to balance well field temperatures, ensuring continued system efficiency and reliability. This project will be complete in early 2026.
- West Haymarket Plant
  - Installation of two electric boilers is ongoing. The boilers are intended to provide additional backup heating in the event natural gas service is disrupted. This project will be complete in early 2026.

Significant projects during 2024 included:

- DEC General Capital Plant
  - Additional electric card access was installed to generator control rooms along with new refrigerant leak detection.

- State Boiler Plant
  - The soft water makeup piping was replaced at the State Boiler Plant to increase makeup water capacity and ensure reliable operation.
  - Additional insulation was added to valves at the State Boiler Plant to reduce heat loss and improve overall efficiency.
- County Adult Detention Facility Plant
  - Additional hydronic pumps were installed at the three water loops at the County Adult Detention Facility to improve reliability.
  - Equipment was purchased for a loop field fluid cooler that will cool the wellfield. This is expected to be installed in 2025.
- West Haymarket Plant
  - Two additional electric boilers were purchased for the West Haymarket Plant, which will be installed in 2025. This installation can provide additional backup heating in the event that natural gas service is disrupted.
- LES Operations Center Thermal Plant
  - A geothermal well field heater was installed at the LES Operations Center Thermal Plant to assist with balancing the variances in well field temperatures and ensure reliability and efficiency.

## **CONTACT INFORMATION**

This financial report is designed to provide a general overview of DEC's financial status for 2025, 2024 and 2023. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the DEC Chief Financial Officer at Lincoln Electric System 9445 Rokeby Road, Lincoln, NE 68526 or by email at [finance@les.com](mailto:finance@les.com).

**District Energy Corporation**  
**Statements of Net Position**  
**December 31, 2025 and 2024**

	2025	2024
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 3,231,073	\$ 1,032,915
Investments	2,169,505	2,923,571
Restricted cash, cash equivalents and investments	3,179,051	3,206,727
Accounts receivable	239,491	811,383
Financing receivables	139,141	137,335
Inventory	197,223	201,001
Prepaid expenses	111,708	55,164
Total current assets	9,267,192	8,368,096
<b>Noncurrent Assets</b>		
Restricted cash, cash equivalents and investments	3,132,824	3,114,822
Financing receivables, net	599,791	738,932
Costs recoverable from future billings	335,416	393,958
Total noncurrent assets	4,068,031	4,247,712
<b>Capital Assets</b>		
Utility plant	91,662,119	91,079,074
Accumulated depreciation	(38,736,083)	(35,100,200)
Construction work in progress	1,372,985	1,299,756
Total capital assets	54,299,021	57,278,630
<b>Deferred Outflows of Resources</b>		
Deferred loss on refunded debt	987,308	1,047,224
Total assets and deferred outflows of resources	\$ 68,621,552	\$ 70,941,662

**District Energy Corporation**  
**Statements of Net Position**  
**December 31, 2025 and 2024**

	2025	2024
<b>Liabilities and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 1,088,765	\$ 699,773
Current portion of long-term debt	3,585,000	3,430,000
Accrued interest payable	973,948	1,046,564
Total current liabilities	5,647,713	5,176,337
<b>Noncurrent Liabilities</b>		
Long-term debt, net	51,172,618	55,928,680
Other noncurrent liabilities	-	78,286
Total noncurrent liabilities	51,172,618	56,006,966
Total liabilities	56,820,331	61,183,303
<b>Net Position</b>		
Net investment in capital assets	3,300,325	1,720,332
Restricted for debt service	2,566,313	2,503,371
Unrestricted	5,934,583	5,534,656
Total net position	11,801,221	9,758,359
Total liabilities and net position	\$ 68,621,552	\$ 70,941,662

**District Energy Corporation**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended December 31, 2025 and 2024**

	<b>2025</b>	<b>2024</b>
		<b>Restated</b>
<b>Operating Revenues</b>	\$ 13,080,561	\$ 12,315,942
<b>Operating Expenses</b>		
Energy	2,715,179	2,528,492
Operations	671,325	672,261
Maintenance	750,043	954,167
Administration and general	2,268,875	2,135,564
Depreciation	3,635,883	3,639,808
Total operating expenses	10,041,305	9,930,292
<b>Operating Income</b>	3,039,256	2,385,650
<b>Nonoperating Revenues (Expenses)</b>		
Interest expense on long-term debt	(1,336,453)	(1,410,927)
Investment income	468,424	484,512
Capital subsidy	-	325,092
Other financing expenses	(128,365)	(78,286)
Total nonoperating expenses (net)	(996,394)	(679,609)
<b>Change in Net Position</b>	2,042,862	1,706,041
<b>Net Position - Beginning of Year</b>	9,758,359	8,052,318
<b>Net Position - End of Year</b>	\$ 11,801,221	\$ 9,758,359

**District Energy Corporation**  
**Statements of Cash Flows**  
**Years Ended December 31, 2025 and 2024**

	2025	2024
<b>Operating Activities</b>		
Received from sales to customers and users	\$ 13,465,922	\$ 12,247,138
Paid to suppliers for goods and services	<u>(6,257,391)</u>	<u>(6,841,505)</u>
Net cash provided by operating activities	<u>7,208,531</u>	<u>5,405,633</u>
<b>Capital and Related Financing Activities</b>		
Capital expenditures for utility plant	(674,730)	(1,184,587)
Principal payments on long-term debt	(3,430,000)	(3,405,000)
Interest payments on long-term debt	(2,161,673)	(2,306,755)
Principal payments on line of credit	(300,000)	-
Debt issuance costs	-	(25,000)
Proceeds from capital subsidies	<u>325,092</u>	<u>-</u>
Net cash used in capital and related financing activities	<u>(6,241,311)</u>	<u>(6,921,342)</u>
<b>Investing Activities</b>		
Net sales (purchases) of investments	2,846,479	(2,973,488)
Interest received	<u>467,198</u>	<u>522,214</u>
Net cash provided by (used in) investing activities	<u>3,313,677</u>	<u>(2,451,274)</u>
<b>Net Change in Cash and Cash Equivalents</b>	4,280,897	(3,966,983)
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>2,250,636</u>	<u>6,217,619</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 6,531,533</u>	<u>\$ 2,250,636</u>
<b>Reconciliation of Cash and Cash Equivalents to the Statements of Net Position</b>		
Cash and cash equivalents	3,231,073	1,032,915
Restricted cash, cash equivalents and investments - current	3,179,051	3,206,727
Restricted cash, cash equivalents and investments - noncurrent	<u>3,132,824</u>	<u>3,114,822</u>
Total cash, cash equivalents and investments	9,542,948	7,354,464
Less: investments not classified as cash equivalents	<u>(3,011,415)</u>	<u>(5,103,828)</u>
Total cash and cash equivalents	<u>\$ 6,531,533</u>	<u>\$ 2,250,636</u>

**District Energy Corporation**  
**Statements of Cash Flows**  
**Years Ended December 31, 2025 and 2024**

	<b>2025</b>	<b>2024</b>
<b>Reconciliation of Operating Income To</b>		
<b>Net Cash Provided By Operating Activities</b>		
Operating income	\$ 3,039,256	\$ 2,385,650
Noncash items included in operating income		
Depreciation	3,635,883	3,639,808
Changes in operating assets and liabilities		
Accounts receivable	248,026	(260,164)
Inventory	3,778	(57,881)
Prepaid expenses	(56,544)	(30,726)
Financing receivable	137,335	191,360
Accounts payable	200,797	(612,004)
Other current assets	-	149,590
Net cash provided by operating activities	\$ 7,208,531	\$ 5,405,633
 <b>Supplemental Noncash Activities</b>		
Capital asset acquisitions included in accounts payable	\$ -	\$ 18,456
Bond premium amortization	871,062	958,734
Amortization of deferred loss on refunding	59,916	61,811

**District Energy Corporation**  
**Notes to Financial Statements**  
**Years Ended December 31, 2025 and 2024**

**Note 1: Summary of Significant Accounting Policies**

***Reporting Entity***

District Energy Corporation (DEC) was established in 1989 as an inter-local entity with the primary function to own, operate, maintain and finance the heating and cooling facilities utilized by certain City of Lincoln, Lancaster County and State of Nebraska buildings.

The Board of Directors of DEC consists of five members: two appointed by the Lancaster County Board of Commissioners; two by the Mayor of Lincoln, who must be confirmed by the Lincoln City Council; and one by Lincoln Electric System (LES).

***Basis of Accounting and Presentation***

DEC's activities are accounted for on the economic resources measurement focus and use the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange transaction takes place. DEC prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

DEC's accounting policies follow the provisions of GASB Codification Section Re10, *Regulated Operations*, which permits an entity with cost-based rates and Board authorization to include certain revenues or costs in a period other than the period in which revenues or costs would be reported by an unregulated entity to the extent that the rate-regulated entity is recovering or expects to recover such amounts in rates charged to its customers. This guidance applies to DEC because DEC's rates are established and approved by the DEC Board of Directors.

***Use of Estimates***

The preparation of financial statements in conformity with GAAP in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred inflows and outflows of resources, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net position during the reporting period. Actual results could differ from those estimates.

# **District Energy Corporation**

## **Notes to Financial Statements**

### **Years Ended December 31, 2025 and 2024**

#### ***Cash Equivalents***

DEC considers all highly liquid investments with an original maturity of three months or less at the date of purchase to be cash equivalents. On December 31, 2025 and 2024, cash equivalents consisted of money market funds, certain short-term U.S. agency obligations and certain short-term U.S. Treasury securities.

#### ***Investments and Investment Income***

DEC's investments in money market mutual funds are carried at cost, which approximates fair value. All other investments are carried at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair value is based on quoted market prices. Investment income includes interest income and the net change for the year in the fair value of investments.

#### ***Revenue Recognition and Accounts Receivable***

Revenues are recorded based on the period of customer usage, and billings for revenues are rendered on a monthly basis. As all receivables are from member governments, no allowance for uncollectible accounts is considered necessary at December 31, 2025 and 2024.

#### ***Inventory***

Inventories are valued at the lower cost or market utilizing the average cost method.

#### ***Costs Recoverable from Future Billings***

Certain income and expense items which would be recognized during the current period are deferred and not included in the determination of the change in net position until such costs are expected to be recovered through rates charged to customers, in accordance with the provisions of GASB Codification Section Re10, *Regulated Operations*. At December 31, 2025 and 2024, costs recoverable from future billings are comprised of costs incurred in relation to DEC's debt issuances.

#### ***Capital Assets***

Capital assets are recorded at historical cost. Major outlays for utility plants are capitalized as projects are constructed. Routine maintenance, repairs and minor replacement costs are charged as expenses when incurred. Utility plant in service is depreciated using the straight-line method over a five to thirty-year period.

# **District Energy Corporation**

## **Notes to Financial Statements**

### **Years Ended December 31, 2025 and 2024**

DEC records all assets for which it has primary responsibility for managing. Accounting guidance states, "governments that have the primary responsibility for managing an infrastructure asset should report the asset." Accordingly, it has been determined that if DEC bears the primary responsibility under an agreement to maintain and operate assets, these assets should be recorded on DEC's books. If, however, the customer is responsible for maintaining the asset, then the agreement should be a financing transaction and DEC records a receivable rather than a capital asset. There are certain facilities which DEC has funded, are maintained and operated by DEC, but which the customer has an option to purchase once the debt is paid off. These options have never been exercised and the chances of ownership transfer taking place via this option are considered unlikely, therefore these facilities are considered assets of DEC.

#### ***Deferred Loss on Refunded Debt***

Costs incurred in connection with the refinancing of various bond issuances are being amortized over the remaining life of the old bonds or the life of the new bonds, whichever is shorter. Amortization is recorded as a component of interest expense within nonoperating expenses. The deferred loss on refunded debt balance was \$987,308 and \$1,047,224 as of December 31, 2025 and 2024, respectively.

#### ***Net Position Classification***

Net position is required to be classified into three components, which are net investment in capital assets, restricted and unrestricted. These classifications are defined as follows:

***Net investment in capital assets*** - This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets.

***Restricted*** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Revenue bond funds, net of any related liabilities, are included in this classification.

# **District Energy Corporation**

## **Notes to Financial Statements**

### **Years Ended December 31, 2025 and 2024**

**Unrestricted** - This component of net position consists of the net amount of the assets and liabilities that do not meet the definition of “restricted” or “net investment in capital assets.”

When both restricted and unrestricted resources are available for use, it is DEC’s intent to use restricted resources first, then unrestricted resources as they are needed.

#### ***Classification of Revenues and Expenses***

Beginning in 2025, in accordance with GASB Statement No. 103, *Financial Reporting Model Improvements*, DEC reports operating revenues and expenses as all revenues and expenses other than nonoperating revenues and expenses. Nonoperating revenues and expenses are defined as subsidies received and provided, contributions to permanent and term endowments, revenues and expenses related to financing, resources from the disposal of capital assets and inventory, and investment income and expenses.

#### ***Income Taxes***

DEC is exempt from federal and state income taxes as it is a body corporate and politic of the State of Nebraska.

#### **Note 2: Accounting Change**

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements* (GASB 103), to enhance the financial reporting model’s effectiveness in providing information essential to decision-making and assessing a government’s accountability. For more information on the classification of revenues and expenses under GASB 103, please refer to the *Classification of Revenues and Expenses* policy included in Note 1. Other financial reporting requirements established by this statement that affect DEC, were modifications to the required supplementary information included in the MD&A. GASB 103 emphasizes expanding the analysis that is provided in the MD&A, while presenting only the most relevant information that is limited to the related topics discussed in five stated sections. This standard required reclassifications on the basic financial statements for the year ended December 31, 2024, as noted below. This statement had no impact on beginning net position.

**District Energy Corporation**  
**Notes to Financial Statements**  
**Years Ended December 31, 2025 and 2024**

	Balance, as Previously Reported	GASB 103 Implementation	Balance, as Restated
<b>Statement of Revenues, Expenses and Changes in Net Position</b>			
Other nonoperating income (expense)	\$246,806	\$ (246,806)	\$ -
Capital subsidy	-	325,092	325,092
Other financing expenses	-	(78,286)	(78,286)

**Note 3: Deposits and Investments**

***Deposits***

State statutes require banks to give a bond, letter of credit, or pledge government securities to DEC in the amount of all deposits. The statutes allow pledged securities to be reduced by the amount of the deposit insured by the Federal Deposit Insurance Corporation (FDIC). DEC's cash deposits are insured up to \$250,000 by the FDIC.

***Investments***

DEC may invest in U.S. Government securities and agencies, federal instrumentalities, instrumentalities of the United States, repurchase agreements, corporate issues, money market mutual funds, interest bearing time deposits or savings accounts, state and/or local government taxable and/or tax-exempt debt and other fixed-term investments as required by state law and designated in the DEC investment policy.

***Fair Value Measurements***

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

**Level 1** – Quoted prices in active markets for identical assets or liabilities.

**Level 2** – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

**Level 3** – Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

**District Energy Corporation**  
**Notes to Financial Statements**  
**Years Ended December 31, 2025 and 2024**

Money market mutual funds are carried at cost and thus are not included within the fair value hierarchy.

The following tables present the fair value measurements of DEC's assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at year-end.

As of December 31, 2025 and 2024 DEC had the following investments:

	<u>Maturities in Years</u>			<b>Credit Ratings</b> <b>Moody's / S&amp;P</b>	<b>Fair Value Hierarchy</b> <b>Level</b>
	<b>Carrying Value</b>	<b>Less Than 1</b>	<b>1-5</b>		
<b>December 31, 2025</b>					
Money market mutual funds	\$ 4,207,526	\$ 4,207,526	\$ -	Aaa/AAAm	N/A
Corporate issues	100,389	100,389	-	A1/A	2
U.S. Treasury securities	629,218	629,218	-	Aaa/AA+	1
U.S. Agency obligations	1,481,104	1,481,104	-	Aaa/AA+	1
U.S. Agency obligations	2,970,208	2,970,208	-	Aaa/AA+	2
	<u>\$ 9,388,445</u>	<u>\$ 9,388,445</u>	<u>\$ -</u>		

	<u>Maturities in Years</u>			<b>Credit Ratings</b> <b>Moody's / S&amp;P</b>	<b>Fair Value Hierarchy</b> <b>Level</b>
	<b>Carrying Value</b>	<b>Less Than 1</b>	<b>1-5</b>		
<b>December 31, 2024</b>					
Money market mutual funds	\$ 1,357,486	\$ 1,357,486	\$ -	Aaa/AAAm	N/A
Corporate issues	482,776	382,344	100,432	A2/AA+	2
U.S. Treasury securities	3,125,201	2,518,773	606,428	Aaa/AA+	2
U.S. Agency obligations	4,419,422	-	4,419,422	Aaa/AA+	2
	<u>\$ 9,384,885</u>	<u>\$ 4,258,603</u>	<u>\$ 5,126,282</u>		

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations per DEC investment guidelines. Corporate issues, state and/or local government taxable and/or tax-exempt debt and money market funds are the only current investment types that require a minimum specific rating. All such investments held as of December 31, 2025 and 2024 met minimum credit ratings as required by DEC's investment policy.

**District Energy Corporation**  
**Notes to Financial Statements**  
**Years Ended December 31, 2025 and 2024**

***Custodial Credit Risk***

For an investment, custodial credit risk is the risk that, in the event of a failure of the counterparty, DEC would not be able to recover the value of its investment securities that are in the possession of an outside party. All investments are held in DEC's name, as required by the investment policy.

***Concentration of Credit Risk***

Concentration of credit risk is the risk associated with the amount of investments DEC has with any one issuer that exceeds 5 percent or more of its total investments. Investments issued or explicitly guaranteed by the U.S. Government are excluded from this requirement. DEC's investment policy places the following limits on the amount that may be invested in any one type of investment and/or issuer.

<b>Investment Type</b>	<b>Portfolio Composition</b>	<b>Limits of Individual Issuers</b>	<b>Maturity Limitations</b>
U.S. Government securities	100%	None	10 years
U.S. Government agencies	100%	None	10 years
Federal instrumentalities	100%	None	10 years
Instrumentalities of the U.S.	20%	5%	10 years
Interest-bearing time deposit or savings accounts	100%	15%	5 years
Repurchase agreements	50%	15%	90 days
Corporate issues	50%	5%	
Banker's acceptances			180 days
Commercial paper			270 days
Corporate notes			5 years
Money market mutual funds	100%	25%	N/A
State and/or local government taxable and/or tax-exempt debt	30%	5%	3 years
Other fixed term investments	25%	25%	5 years

***Interest Rate Risk***

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. DEC's principal investment strategy is to buy and hold securities to maturity, which reduces interest rate risk.

**District Energy Corporation**  
**Notes to Financial Statements**  
**Years Ended December 31, 2025 and 2024**

At December 31, 2025 and 2024 DEC had the following investment concentrations:

	<b>Portfolio Composition</b>	
	<b>2025</b>	<b>2024</b>
<b>U.S. sponsored agency obligations</b>		
Federal Home Loan Bank	31.64%	31.74%
Federal National Mortgage Association	15.78%	15.35%

**Summary of Carrying Values**

The carrying values of cash deposits and investments as of December 31, 2025 and 2024 were as follows:

	<b>2025</b>	<b>2024</b>
Cash Deposits	\$ 2,324,008	\$ 893,150
Investments	9,388,445	9,384,885
	\$ 11,712,453	\$ 10,278,035
<b>Current Assets</b>		
Cash and cash equivalents		
Operating funds	\$ 3,194,767	\$ 1,012,043
Rate Stabilization Fund	36,306	20,872
Total	3,231,073	1,032,915
Investments		
Operating funds	1,481,106	2,233,451
Rate Stabilization Fund	688,399	690,120
Total	2,169,505	2,923,571
Restricted cash, cash equivalents and investments		
Bond principal and interest funds	3,179,051	3,206,727
<b>Noncurrent Assets</b>		
Restricted cash, cash equivalents and investments		
Bond reserve funds	3,132,824	3,114,822
Total	3,132,824	3,114,822
	\$ 11,712,453	\$ 10,278,035

**District Energy Corporation**  
**Notes to Financial Statements**  
**Years Ended December 31, 2025 and 2024**

***Rate Stabilization Fund***

The DEC Board of Directors established a Rate Stabilization Fund (RSF) in 2004. The RSF was established to pay for operating and maintenance expenses and extraordinary renewals, replacements, or repairs. Funds can be deposited or withdrawn with Board approval. The target for the RSF is 25 percent of the current year’s budgeted energy expense. The Board approved transfers to the RSF of \$81,093 and \$0 in 2025 and 2024, respectively. The RSF transfers help make progress toward meeting the intended target. For 2025, the Board authorized the use and transfer of \$100,000 from the State RSF Fund to the Operating Fund for capital expenditures at the State plant.

**Note 4: Financing Receivables**

DEC has purchased and installed certain energy efficiency equipment for Lancaster County, Nebraska (the County) at the CADF Thermal Energy Facility. The County maintains this equipment and is responsible for the costs of operation and maintenance of the equipment. Under an agreement between DEC and the County, DEC is being reimbursed by the County for the original cost of this equipment with the final payment scheduled for March 1, 2031. The County makes monthly payments to DEC of \$12,330, which includes interest at a rate of 1.3 percent.

The minimum payments expected to be received from the County over the term of this agreement at December 31, 2025, are as follows:

Year Ending December 31, 2025	Principal
2026	\$ 139,141
2027	140,970
2028	142,824
2029	144,701
2030	146,603
2031	24,693
Total	\$ 738,932

**District Energy Corporation**  
**Notes to Financial Statements**  
**Years Ended December 31, 2025 and 2024**

DEC has financed certain energy efficiency projects for the building acquired by the State, located at 1526 "L" Street, in Lincoln, Nebraska. The State maintains the building and is responsible for the costs of operation and maintenance of such improvements. The State reimbursed DEC for the original cost of this project over the term of the related debt service, which matured July 1, 2024. No further payments are expected to be received from the State related to this agreement as of December 31, 2025.

**Note 5: Utility Plant**

Utility plant activity for the years ended December 31, 2025 and 2024 were as follows:

	<b>2025</b>				
	<b>January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>December 31</b>
Construction work in progress (not depreciated)	\$ 1,299,756	\$ 656,274	\$ -	\$ (583,045)	\$ 1,372,985
Utility plant	91,079,074	-	-	583,045	91,662,119
Less: Accumulated depreciation	<u>(35,100,200)</u>	<u>(3,635,883)</u>	-	-	<u>(38,736,083)</u>
Totals	<u>\$ 57,278,630</u>	<u>\$ (2,979,609)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,299,021</u>
	<b>2024</b>				
	<b>January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>December 31</b>
Construction work in progress (not depreciated)	\$ 438,540	\$ 1,203,043	\$ -	\$ (341,827)	\$ 1,299,756
Utility plant	90,737,247	-	-	341,827	91,079,074
Less: Accumulated depreciation	<u>(31,460,392)</u>	<u>(3,639,808)</u>	-	-	<u>(35,100,200)</u>
Totals	<u>\$ 59,715,395</u>	<u>\$ (2,436,765)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,278,630</u>

**District Energy Corporation**  
**Notes to Financial Statements**  
**Years Ended December 31, 2025 and 2024**

**Note 6: Long-Term Debt**

***Revenue and Refunding Bonds***

There were no bond issuances during the fiscal years ending December 31, 2025 and 2024.

All revenues (after payment of operations and maintenance expenses) of DEC are pledged to secure the revenue bonds. Proceeds from all bonds issued are used to finance capital construction costs.

Bond reserves are set in accordance with terms stated upon issuance. All reserves are fully funded.

Revenue and refunding bonds consisted of the following at December 31, 2025 and 2024:

	<u>Date Callable</u>	<u>2025</u>	<u>2024</u>
Revenue Bonds			
Serial Bonds			
Series 2021A facility revenue refunding bonds, 5.00%, due annually through July 1, 2032	2031	\$ 15,605,000	\$ 17,910,000
Series 2021B facility revenue refunding bonds, 0.26% to 2.19%, due annually through July 1, 2031	N/A	4,195,000	4,855,000
Series 2021 NSP facility revenue bonds, 5.00%, due annually through July 1, 2040	2031	10,500,000	10,965,000
Term Bonds			
Series 2021A facility revenue refunding bonds, 2.00%, due July 1, 2036	N/A	1,280,000	1,280,000
Series 2021A facility revenue refunding bonds, 2.25%, due July 1, 2040	N/A	1,380,000	1,380,000
Series 2021A facility revenue refunding bonds, 2.375%, due July 1, 2043	N/A	400,000	400,000
Series 2021B facility revenue refunding bonds, 2.39%, due July 1, 2036	N/A	3,830,000	3,830,000
Series 2021B facility revenue refunding bonds, 3.02%, due July 1, 2043	N/A	6,275,000	6,275,000
Series 2021 NSP facility revenue refunding bonds, 4.00%, due July 1, 2045	2031	5,480,000	5,480,000
Total Revenue Bonds		<u>\$ 48,945,000</u>	<u>\$ 52,375,000</u>

**District Energy Corporation**  
**Notes to Financial Statements**  
**Years Ended December 31, 2025 and 2024**

***Line of Credit***

In 2021, DEC entered into a \$5,000,000 line of credit agreement with J.P. Morgan Chase Bank, N.A to provide short-term liquidity as well as interim financing for current and future capital investments. The line of credit agreement allows for both tax-exempt and taxable borrowings. Tax-exempt borrowings on this line bear interest at 80 percent of the one-month SOFR rate, plus a contractually agreed-upon spread. Taxable borrowings bear interest at 100 percent of the one-month SOFR rate, plus a contractually agreed-upon spread. Interest is payable monthly and principal is due upon the expiration of the agreement. The agreement was amended in 2024 to extend the expiration date to August 2027. The amount outstanding under the line of credit was \$900,000 and \$1,200,000 as of December 31, 2025 and 2024, respectively.

Long-term debt activity for the years ended December 31, 2025 and 2024, was as follows:

	January 1, 2025	Additions	Reduction	December 31, 2025	Due Within One Year
Revenue bonds	\$ 52,375,000	\$ -	\$ (3,430,000)	\$ 48,945,000	\$ 3,585,000
Bond issuance premiums	5,783,680	-	(871,062)	4,912,618	-
Line of credit	1,200,000	-	(300,000)	900,000	-
Totals	<u>\$ 59,358,680</u>	<u>\$ -</u>	<u>\$ (4,601,062)</u>	<u>\$ 54,757,618</u>	<u>\$ 3,585,000</u>
	January 1, 2024	Additions	Reduction	December 31, 2024	Due Within One Year
Revenue bonds	\$ 55,780,000	\$ -	\$ (3,405,000)	\$ 52,375,000	\$ 3,430,000
Bond issuance premiums	6,742,414	-	(958,734)	5,783,680	-
Line of credit	1,200,000	-	-	1,200,000	-
Totals	<u>\$ 63,722,414</u>	<u>\$ -</u>	<u>\$ (4,363,734)</u>	<u>\$ 59,358,680</u>	<u>\$ 3,430,000</u>

**District Energy Corporation**  
**Notes to Financial Statements**  
**Years Ended December 31, 2025 and 2024**

Debt service requirements including sinking fund requirements for DEC’s revenue bonds as of December 31, 2025, were as follows:

<b>Bond Year Ending July 31, 2025</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2026	\$ 3,585,000	\$ 1,947,896	\$ 5,532,896
2027	3,730,000	1,793,972	5,523,972
2028	3,895,000	1,630,728	5,525,728
2029	4,070,000	1,458,357	5,528,357
2030	4,255,000	1,275,927	5,530,927
2031-2035	10,365,000	4,517,316	14,882,316
2036-2040	10,315,000	2,754,036	13,069,036
2041-2045	8,730,000	868,271	9,598,271
Total	<u>\$ 48,945,000</u>	<u>\$ 16,246,503</u>	<u>\$ 65,191,503</u>

**Note 7: Related Party Transactions**

The Board of Directors, under an amended and restated 5-year management agreement, has appointed LES to supervise and manage the system and business affairs of DEC. The management agreement is effective for five years beginning April 18, 2019 and thereafter remains in effect for successive five-year terms unless and until either party provides notice of non-renewal at least one year prior to the end of the then current term. In addition, either party has the right, with twenty-four-month notice, to terminate the agreement any time after DEC is free of indebtedness. LES is reimbursed for these management services based on the allocated actual cost of services provided. LES also provides electric energy to DEC in accordance with LES electric rate schedules. The total payments to LES for management, operations and maintenance services were approximately \$2,904,000 and \$2,763,000 in 2025 and 2024, respectively. The total payments to LES for electric service were approximately \$1,093,000 and \$1,020,000 in 2025 and 2024, respectively. Accounts payable to LES were approximately \$461,000 or 42 percent and \$213,000 or 27 percent of the total accounts payable balance on December 31, 2025 and 2024, respectively.

**District Energy Corporation**  
**Notes to Financial Statements**  
**Years Ended December 31, 2025 and 2024**

DEC has entered into service agreements with the City of Lincoln, Lancaster County, State of Nebraska, West Haymarket Joint Public Agency, Lincoln Electric System and Nebraska Department of Corrections to provide heating and cooling services. These agreements expire when all debt associated with property and equipment is paid and can then be renewed on an annual basis by agreement between both parties. The agreements can be terminated with a one- to two-year advance notice by either party.

In 2025 and 2024, all of DEC's heating and cooling service revenues were generated from the six customers listed above.

**Note 8: Risk Management**

DEC is exposed to various risks of loss related to general liability and property. DEC carries commercially available insurance, subject to certain limits and deductibles, to reduce the financial impact of claims arising from such matters. Claims have not exceeded this coverage in any of the three preceding years.

**Note 9: Segment Information**

DEC has issued revenue bonds to finance capital projects for the Nebraska State Penitentiary. Summary financial information for this facility for the years ended December 31, 2025 and 2024, are presented as follows:

**District Energy Corporation**  
**Notes to Financial Statements**  
**Years Ended December 31, 2025 and 2024**

**CONDENSED STATEMENTS OF NET POSITION - NEBRASKA STATE PENITENTIARY**

	<u>2025</u>	<u>2024</u>
<b>Assets</b>		
Current assets	\$ 2,384,445	\$ 1,960,458
Noncurrent assets	774,672	805,955
Capital assets	<u>17,835,857</u>	<u>18,583,640</u>
Total assets	<u>\$ 20,994,974</u>	<u>\$ 21,350,053</u>
<b>Liabilities</b>		
Current liabilities	\$ 1,091,449	\$ 1,004,197
Noncurrent liabilities	<u>18,478,915</u>	<u>19,225,940</u>
Total liabilities	19,570,364	20,230,137
<b>Net Position</b>		
Net investment in capital assets	(511,332)	(490,576)
Restricted for debt service	352,049	323,307
Unrestricted	<u>1,583,893</u>	<u>1,287,185</u>
Total net position	<u>1,424,610</u>	<u>1,119,916</u>
Total liabilities and net position	<u>\$ 20,994,974</u>	<u>\$ 21,350,053</u>

**CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION - STATE PENITENTIARY**

	<u>2025</u>	<u>2024</u>
Operating revenues	\$ 3,004,891	\$ 2,774,614
Operating expenses	<u>2,255,801</u>	<u>2,272,736</u>
Operating income	749,090	501,878
Interest expense	(504,359)	(520,661)
Other non-operating revenues (expenses)	59,963	92,490
Total non-operating expenses	<u>(444,396)</u>	<u>(428,171)</u>
<b>Change in Net Position</b>	304,694	73,707
<b>Net Position - Beginning of Year</b>	<u>1,119,916</u>	<u>1,046,209</u>
<b>Net Position - End of Year</b>	<u>\$ 1,424,610</u>	<u>\$ 1,119,916</u>

**CONDENSED STATEMENTS OF CASH FLOWS - NEBRASKA STATE PENITENTIARY**

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities	\$ 1,773,565	\$ 984,371
Cash flows from capital and related financing activities	(1,230,941)	(1,280,328)
Cash flows from investing activities	<u>515,237</u>	<u>(397,453)</u>
<b>Net Change in Cash and Cash Equivalents</b>	1,057,861	(693,410)
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>837,872</u>	<u>1,531,282</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 1,895,733</u>	<u>\$ 837,872</u>