Board Packet for the

April 22nd, 2025

District Energy Corporation

Board Meeting

TAB I

NOTICE OF QUARTERLY MEETING AND AGENDA
DISTRICT ENERGY CORPORATION
BOARD OF DIRECTORS

Meeting held at County-City Building, 555 S. 10th Str., Lincoln NE
in the City Council Chambers room // April 22, 2025 @ 12:00 pm

Notice of meeting was published in the Lincoln Journal Star newspaper on April 15, 2025.

I. CALL TO ORDER, OPEN MEETING ADVISEMENT, ROLL CALL – **Chair Sean Flowerday**

II. SAFETY BRIEFING – **Jason Fortik**

III. PUBLIC COMMENT

IV. APPROVAL OF JANUARY 28, 2025 MEETING MINUTES * – **Sean Flowerday** **Motion**

V. MANAGEMENT REPORT – **Nick Wischhof**

A. Introduction - Aaron Evans, DE Manager
B. Operations & Fuels Update
C. Construction Projects Update
D. Annual Scope 1 $MTCO_2e$ Emissions Report
E. Potential New Customer Connections Update
F. Motion to Accept Management Report* **Motion**

VI. FINANCIAL REPORT – **Wade Leibbrandt**

A. Current Financial Report
B. Motion to Accept Financial Report* **Motion**
C. Consider Accepting the 2024 Audit Report* **Motion**
D. Tax-Exempt Financing Compliance Update

VII. MISCELLANEOUS BUSINESS

A. Current Nebraska legislation* – **David Levy** **Motion**
B. NSP bonds and future status update **– David Levy**
C. New Business

VIII. EXECUTIVE SESSION – if necessary

IX. FUTURE MEETING DATES AND DISCUSSION

July 22, 2025 // October 21, 2025 // January 27, 2026 // April 21, 2026

X. ADJOURNMENT

*Denotes Action Item

TAB II

MINUTES OF DISTRICT ENERGY CORPORATION BOARD
Meeting held January 28, 2025

Minutes of the meeting of the District Energy Corporation (DEC) Board of Directors meeting held on January 28, 2025, at the Lincoln Electric System Kevin Wailes Operations Center, 9445 Rokeby Road, Lincoln, Nebraska. Notice of the meeting was published in the Lincoln Journal Star newspaper on January 21, 2025.

Board Members Present:	Sean Flowerday, Carl Eskridge, Kim Morrow, Bennie Shobe, Matt Schulte
Board Members Absent:	None
Others Present:	Jason Fortik, Emily Koenig, Nick Wischhof, Larry Balm, Dianne Dobrusky, Keith Snyder, Denise Parrott, Nichi Richardson, Bryan Willnerd, Wade Leibbrandt, Kerin Peterson, Jim Dutton, David Levy

Call to Order

Chair Sean Flowerday called the meeting to order at 12pm. Chair 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.

Safety Briefing

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

Public Comment

Chair Flowerday welcomed public comment. Seeing none, the meeting moved to the next agenda item.

Approval of Minutes for 10/24/24

Chair Flowerday asked a motion to approve the October 24, 2024 meeting minutes. Carl Eskridge made the motion and Kim Morrow seconded. The vote to approve was:
Aye: Flowerday, Eskridge, Morrow, Shobe, Schulte

Motion to Ratify

Chair Flowerday called for a motion to ratify actions taken at the board meeting on October 24, 2024. This was done of the advice of counsel due to quorum issues at the October meeting. The items being ratified are:

A. 2025 Budget and Rates / Resolution 24-04
B. Rate Stabilization Funds Moved / Resolution 24-05
C. Reimburse Certain Capital Expenditures from Future Tax-Exempt Obligations / Resolution 24-06
D. Ratify Forvis Mazar audit contract
E. Black Hills Energy Agreement / Resolution 24-03

Bennie Shobe made the motion and Carl Eskridge seconded. The vote to approve was:
Aye: Flowerday, Eskridge, Morrow, Shobe, Schulte

Receipt of Board Appointment Notices

Jason Fortik stated that the board terms of three directors expired at the end of 2024. Bennie Shobe, Lincoln City Council, and Carl Eskridge, LES board, expressed interest in serving another two-year term, and were reappointed to terms expiring at the end of 2026. The seat previously held by Rick Vest, Lancaster County Commissioner also expired. Matt Schulte, Lancaster County Commissioner, was appointed to this seat for a term to expire at the end of 2026.

Election of Officers

David Levy, DEC General Counsel, conducted the election of officers for 2025. Bennie Shobe moved to nominate the full slate of current officers to continue for 2025. Those nominations are Sean Flowerday for Chair, Carl Eskridge for Vice Chair and Kim Morrow for Secretary. Matt Schulte seconded the motion. The vote to approve was:
Aye: Flowerday, Eskridge, Morrow, Shobe, Schulte

Management Report

Nick Wischhof, LES Manager, Projects Engineering, presented.

***Operations Update**

Wischhof reviewed the service interruptions for the 4th quarter of 2024. There were several planned outages at NSP for condensate leak repairs – those repairs were completed in November. CC's planned outage was to cap distribution piping to 900 J St. and CADF had a planned outage to complete tie-ins for the new loop pumps.

***Fuels Update**

Wischhof gave a recap on 2024 fuel costs and quantities and compared the data to the 2025 budget. He also outlined the natural gas supply strategy to secure resources in advance and the bidding process that is currently underway.

***Capital Projects Update**

An update on all current capital projects was presented. Two projects were highlighted: A) State deaerator tank replacement and B) CADF fluid cooler installation. The State DA tank is an emergent project , to be completed in summer 2025. Resolution Resolution 25-01 asks for approval of $150k for this project. The CADF resolution is due to the mechanical installation bids coming back higher than expected. Resolution 25-02 asks for approval of an additional $200k to the budget to complete this project.

***Annual Outage Report for 2024**

This report is compiled and presented annually to track DEC's quality of service and reliability. Wischhof reviewed the process and the definition of planned vs. unplanned interruptions. The metrics show nearly 100% reliability for unplanned interruptions across DEC plants.

Motion to Accept Management Report

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

Resolution 25-01

Chair Flowerday called for a motion to approve Resolution 25-01. Motion was made by Carl Eskridge and seconded by Bennie Shobe. The vote to approve was:
Aye: Flowerday, Eskridge, Morrow, Shobe, Schulte

Resolution 25-02

Chair Flowerday called for a motion to approve Resolution 25-02. Motion was made by Bennie Shobe and seconded by Carl Eskridge. The vote to approve was:
Aye: Flowerday, Eskridge, Morrow, Shobe, Schulte

Financial Report

Wade Leibbrandt, LES Manager – Budget and Financial Planning, presented the DEC 2024 Preliminary Financial Report.

Leibbrandt noted that the 2024 Financial Report is preliminary. The final report will be presented in April. The current change in net position shows 10.6% above budget, due primarily to investment income. Sales and revenue totals closely followed budget, but there was a swing towards more cooling and less heating. Operating expenses were less than 1% off budget, and non-operating expenses were 11.6% below budget. Details regarding debt service coverage ratio, days of cash on hand, and capital projects were covered.

Semi-Annual Investment Report

Bryan Willnerd, LES Manager – Treasury & Risk Management, presented the Semi-Annual Investment Report for the quarter ending 12/31/24.

Willnerd gave details for each of the accounts in DEC's approx. $9.1M investment portfolio and the trending of the interest yields. Data shows that DEC accounts outperformed the benchmarks, and the portfolio allocations are all compliant with the DEC's investment policy - Policy 4.

Resolution 25-03

Willnerd presented the updates to the investment policy being asked for via Resolution 25-03. The resolution makes changes in the requirements for investment bid providers, portfolio allocation limits, and clarifies some language and responsibilities.

Chair Flowerday called for a motion to approve Resolution 25-03, the revisions to the DEC Investment Policy. Motion was made by Kim Morrow and seconded by Carl Eskridge. The vote to approve was:
Aye: Flowerday, Eskridge, Morrow, Shobe, Schulte

Motion to Accept Financial and Investment Reports

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

Emily Koenig, LES VP Financial Services and CFO, presented an update regarding DEC's Fitch bond ratings in relation to the NSP bonds and the Energy Service Agreement with the Nebraska Department of Corrections.

Greenhouse Gas Strategy

Jason Fortik presented details regarding how the Greenhouse Gas Strategy, Resolution 25-04 was developed. The board met in early 2024, and then formed a sub-committee (Fortik, Morrow, Eskridge, Levy) to review DEC emissions in-depth and develop the language for this proposal. In summary, the Resolution stipulates that, as equipment ages out and needs replaced, consideration will be made for choices that reduce emissions.

Resolution 25-04

Chair Flowerday called for a motion to approve Resolution 25-04. Kim Morrow made the motion and Bennie Shobe seconded. The vote to approve was:
Aye: Flowerday, Eskridge, Morrow, Shobe, Schulte

Renewable Energy Credits

Jason Fortik presented information and details regarding DEC customers potential interest in purchasing Renewable Energy Credits (RECs). LES, as a customer of DEC, has expressed this interest and the CADF facility may also be interested, as it is a similar facility.

Potential Bylaw Change

David Levy presented information about the potential Bylaw change to provide that board terms continue until a successor is appointed. After discussion, it was decided that this is will not provide much benefit to DEC, and it will not be pursued.

Legislative Update

David Levy discussed proposed Nebraska legislation relevant to DEC. Levy summarized Legislative bills 163, 450, 596, and 611. After further discussion the board moved to send a letter of support for LB 450 due to the potential for increased funding options for connections to district energy.

Motion for Support of LB 450

Chair Flowerday called for a motion to send a letter in support of Legislative Bill 450. Motion was made by Matt Schulte and seconded by Kim Morrow. The vote to approve was:

Aye: Flowerday, Eskridge, Morrow, Shobe, Schulte

IDEA Annual Conference

Jason Fortik presented information about the annual IDEA conference to be held in Minneapolis, MN June 2-5, 2025 – and the potential for board and staff attendance. Several board members expressed interest. More information will be sent to all board members as IDEA makes the agenda and registration details available.

Next Meeting

Chair Flowerday stated that the next meeting of the DEC board is scheduled for April 22, 2025. The possibility of holding the meeting at a downtown location was discussed, and staff agreed to explore available options and communicate those with the board.

Adjournment

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

There being no further business to come before the Board, Chairman Flowerday declared the meeting adjourned at 1:27 pm.

Sean Flowerday, Board Chair

By: Dianne Dobrusky
Dianne Dobrusky, Assist. Secretary

TAB III

DEC ENERGY

Management Report

Nick Wischhof, P.E., Manager, Projects Engineering

Vision

"Striving for Energy Excellence"

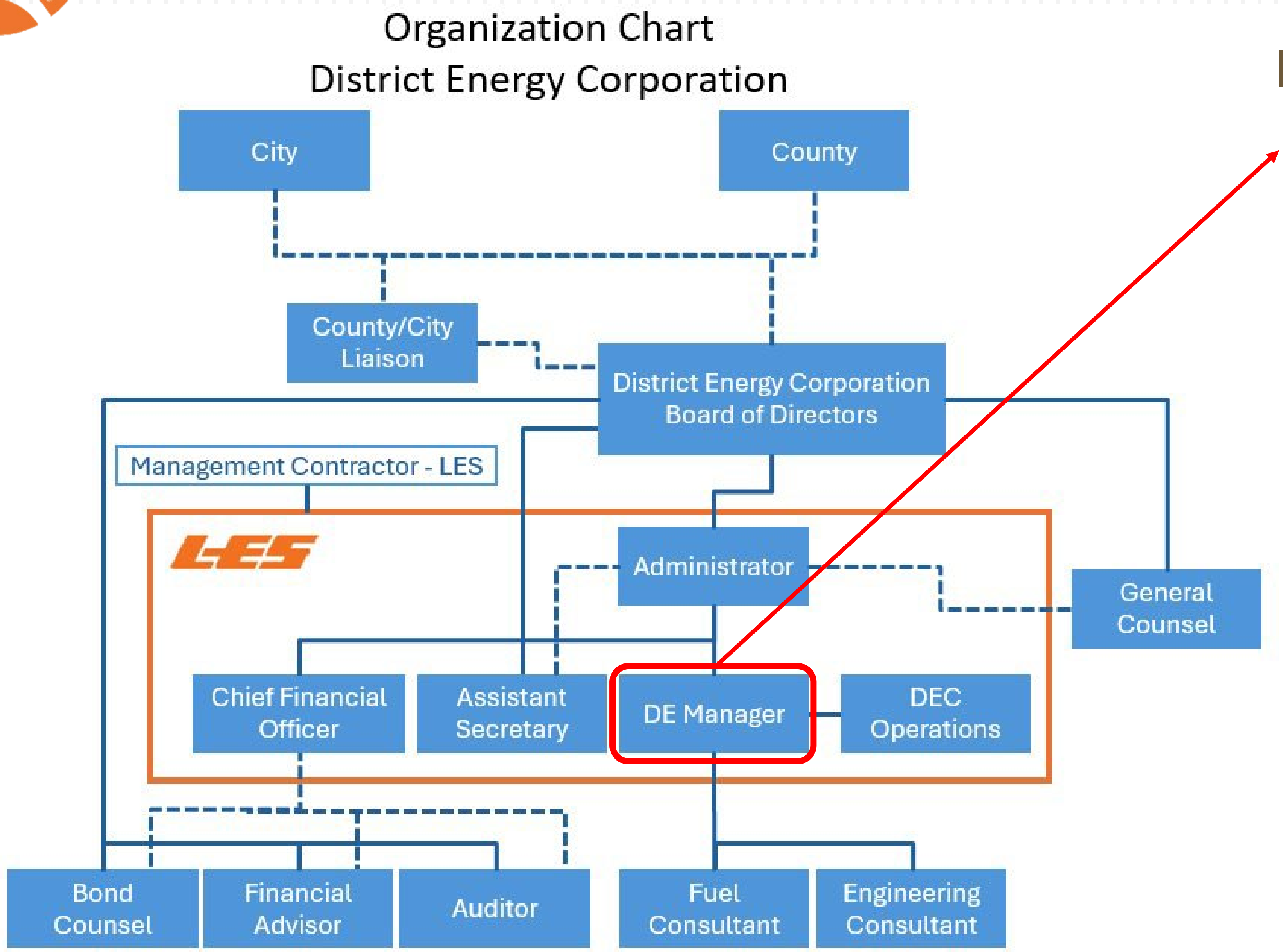
Mission

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

Board of Directors Meeting

April 22, 2025

DE Manager Introduction



Aaron Evans

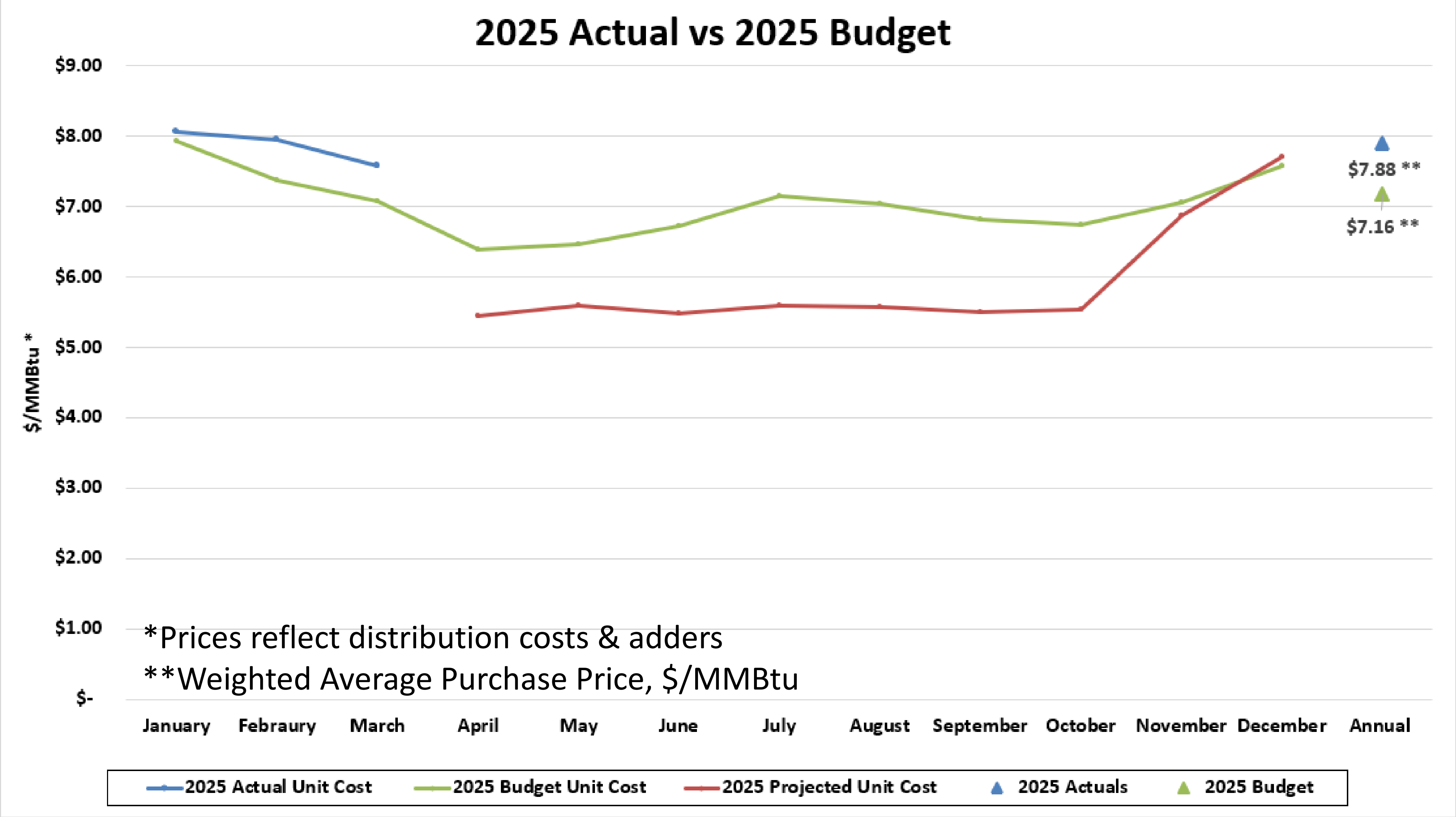
- BS - Mechanical Engineer - UNL
- M - Engineering Management (MEM) - UNL
- Professional Engineer (PE) - NE
- Certified Energy Manger (CEM)
- UNL Utilities (~10 years)
  - Asst. Director, Operational Technology & Engineering
  - Engineering Manager
  - Engineering Supervisor
  - Plant Operations Engineer
  - Energy Engineer

Operations and Fuels Update: April 2025

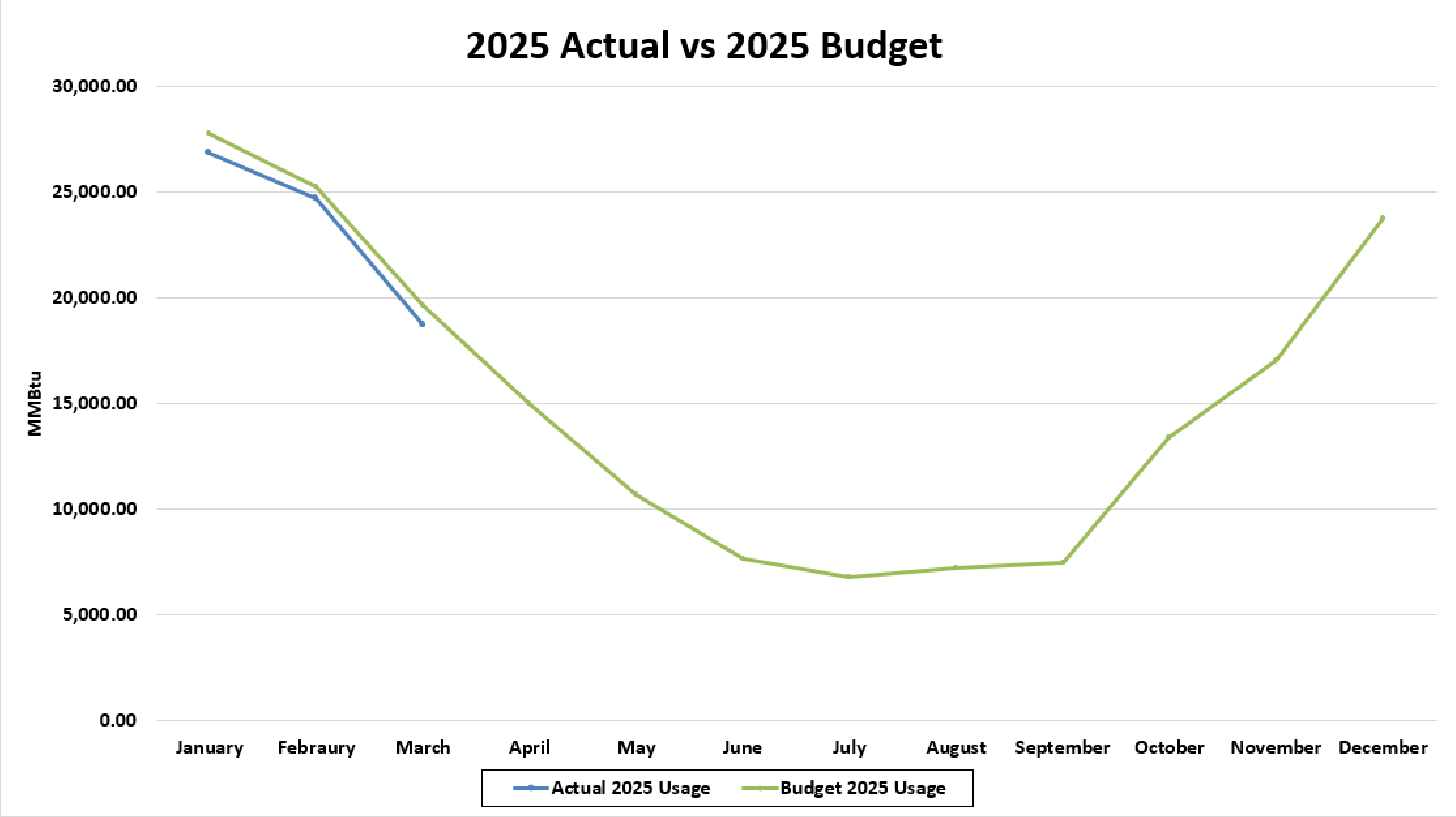
Operations Update & Service Interruptions

- Planned outages to the Penitentiary (NSP) for customer steam/condensate leak repairs
  - Continue to operate at 75 psi due to customer PRVs
  - Currently operating with 1 of 2 condensate pumps
  - Grass fire at the NSP (monitored - no outage)
- 3/5 heating outages (~1 hr) at CC & SBP due to power outages
  - Operated CC on backup generator (~9 hrs) with personnel remaining onsite overnight
- 3/19 outages (~1 hr) at CADF due to power outage
  - Operated CADF on backup generators (~4 hrs)

Fuel Unit Costs



Fuel Quantities



2024 Fuel Costs

	Q1	Q2	Q3	Q4	2025
Total Consumption (mmBTU)	70,310	-	-	-	70,310
Total Cost ($)	$ 554,377	$ -	$ -	$ -	$ 554,377
Average Unit Cost ($/mmBTU)	7.88				7.88

DEC
ENERGY

Project Updates

Capital Projects Update

Project	Description	Budget *	Status
All Central Cyber Security System	Continued joint project with LES for real time monitoring of plant control systems and network integrity. Installing a new data diode to further enhance network isolation.	$66k	On hold to apply for grant funding (IIJA) to procure an additional data diode.
All Central Safety & Security Improvements	This project will install electric card access on the switchgear/electrical generator control rooms to prevent unauthorized access. This project will also upgrade the exterior & emergency lighting to better illuminate the facilities for improved safety and security.	$141k	Installing refrigerant detectors at the LOC and CADF.
CADF 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.	$797k	Mechanical installation contract executed. Contractor has mobilized.
WHM 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.	$826k	Finalized installation design. Plan to bid installation for install in 2025.
SBP DA Vessel Replacement	Emergent project to replace the deaerator (DA) vessel.	$150k	DA vessel delivery is expected end of May 2025. Installation will be completed this summer.

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

Annual SCOPE 1 $MTCO_2e$ Emissions Report

Greenhouse Gas Strategy

1. The DEC shall encourage customer connections to district energy systems so customers can obtain the reliability, efficiency and greenhouse gas reduction benefits inherent to these systems. These benefits include, but are not limited to:

   a. More efficient use of resources through larger and shared equipment and systems versus independent systems for every building or portions of a building, campus or area.

   b. The ability to have greater effects from changing to emissions reducing technology because such changes would apply to multiple buildings, an entire campus or area.

   c. Economic advantages from sharing resources, which then allow greater investments in emissions reducing technologies.

5. At its first meeting in each calendar year, the DEC shall report to the Board on its progress on this Resolution and changes in greenhouse gas emissions, including, but not limited to, reporting by plant and technology.

   a. Such reporting shall utilize MtCO2e designations or a similar metric.

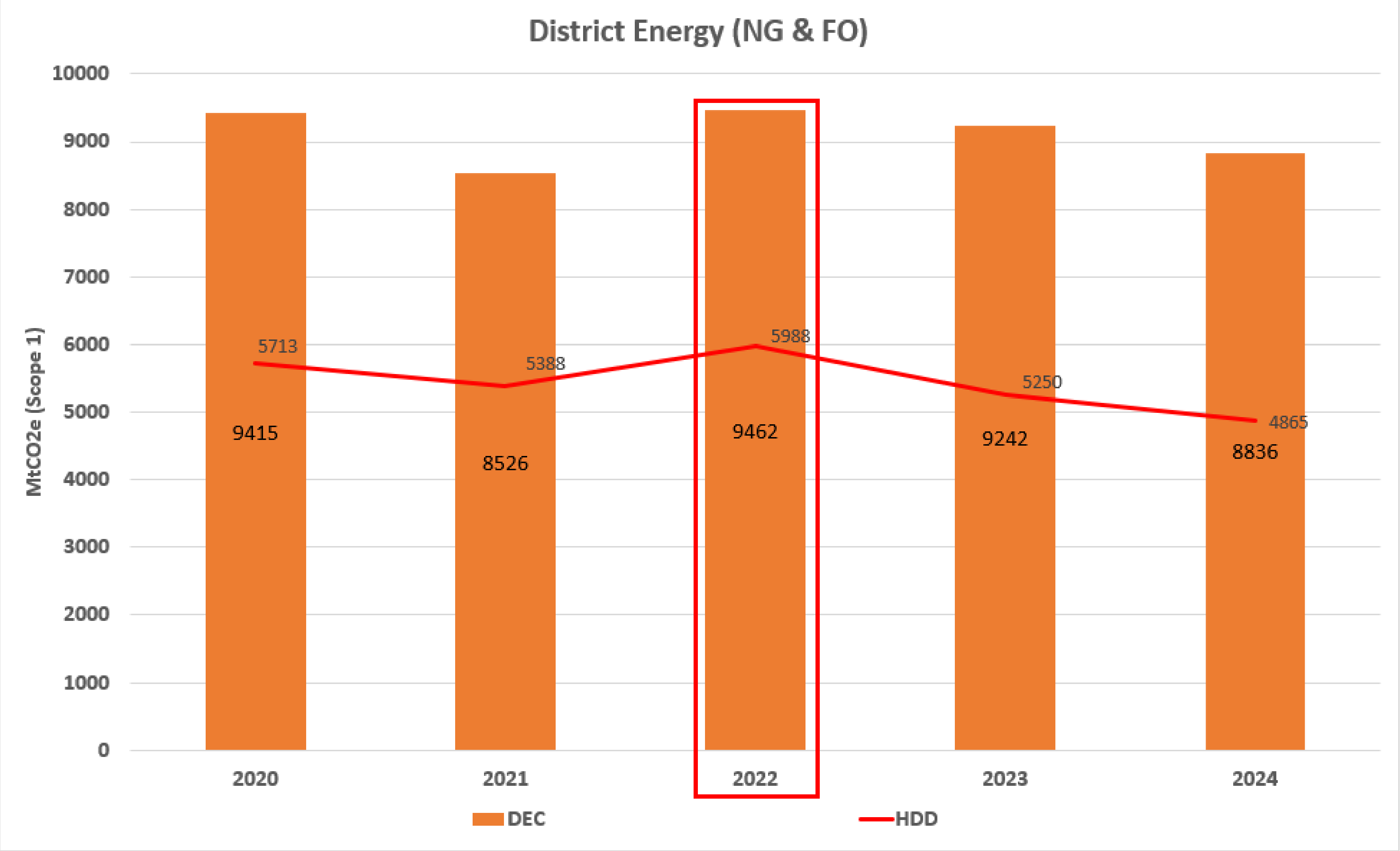
   b. DEC shall focus primarily on managing Scope 1 emissions.

   c. The baseline year for data collection and analysis shall be 2022.

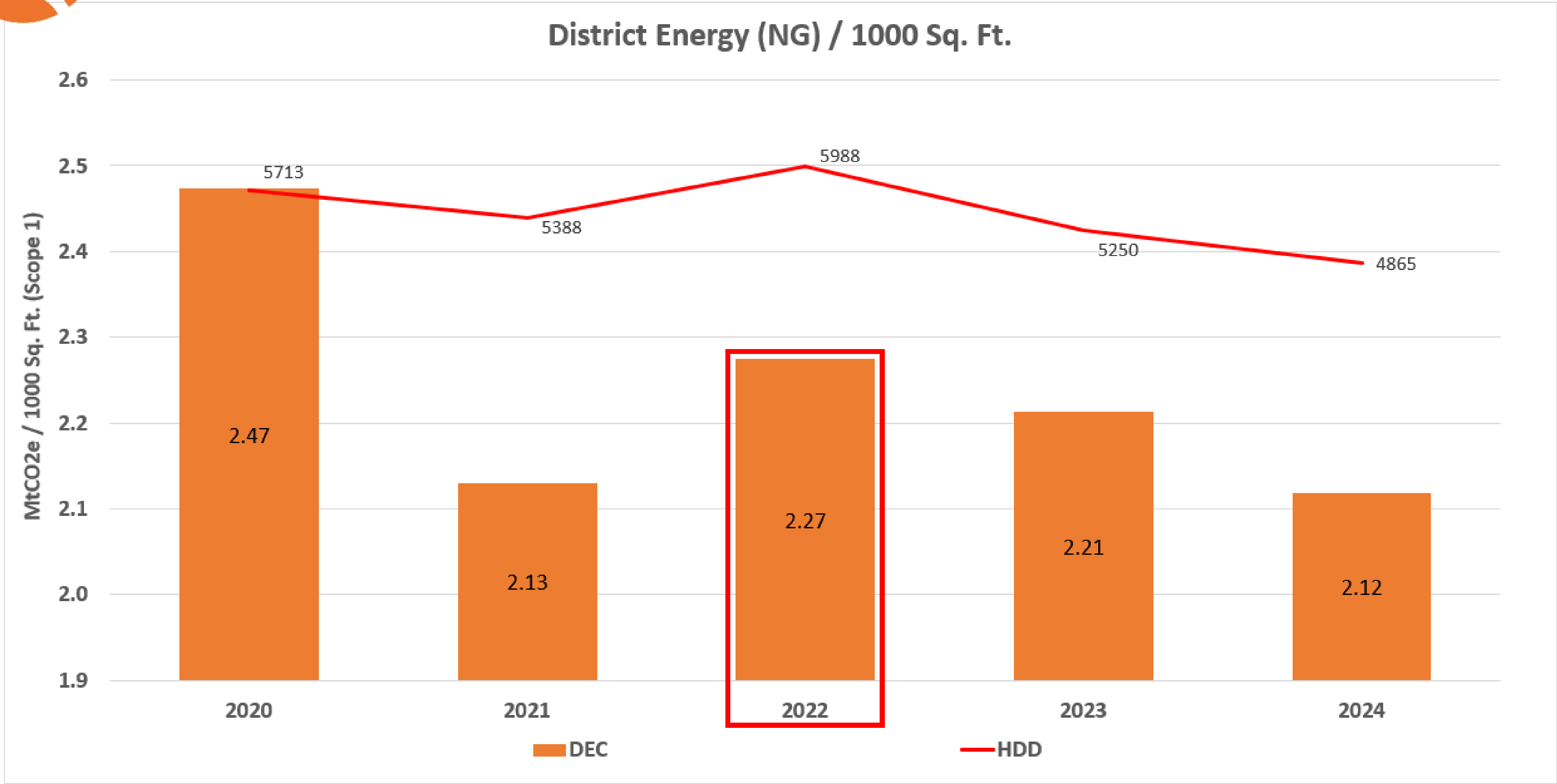
Metrics

- *Scope 1 Emissions*
  - *Direct greenhouse (GHG) emissions controlled by the DEC*
  - *Vehicle fuel excluded since refueling is completed by LES*
- *Emissions from Natural Gas and Fuel Oil*
  - *Fuel oil is only used for emergencies*
- *2022 used as baseline*
  - *Winter Storm Uri occurred in 2021*
  - *No additional customer growth since 2022*
  - *February 2023 was abnormally warm*

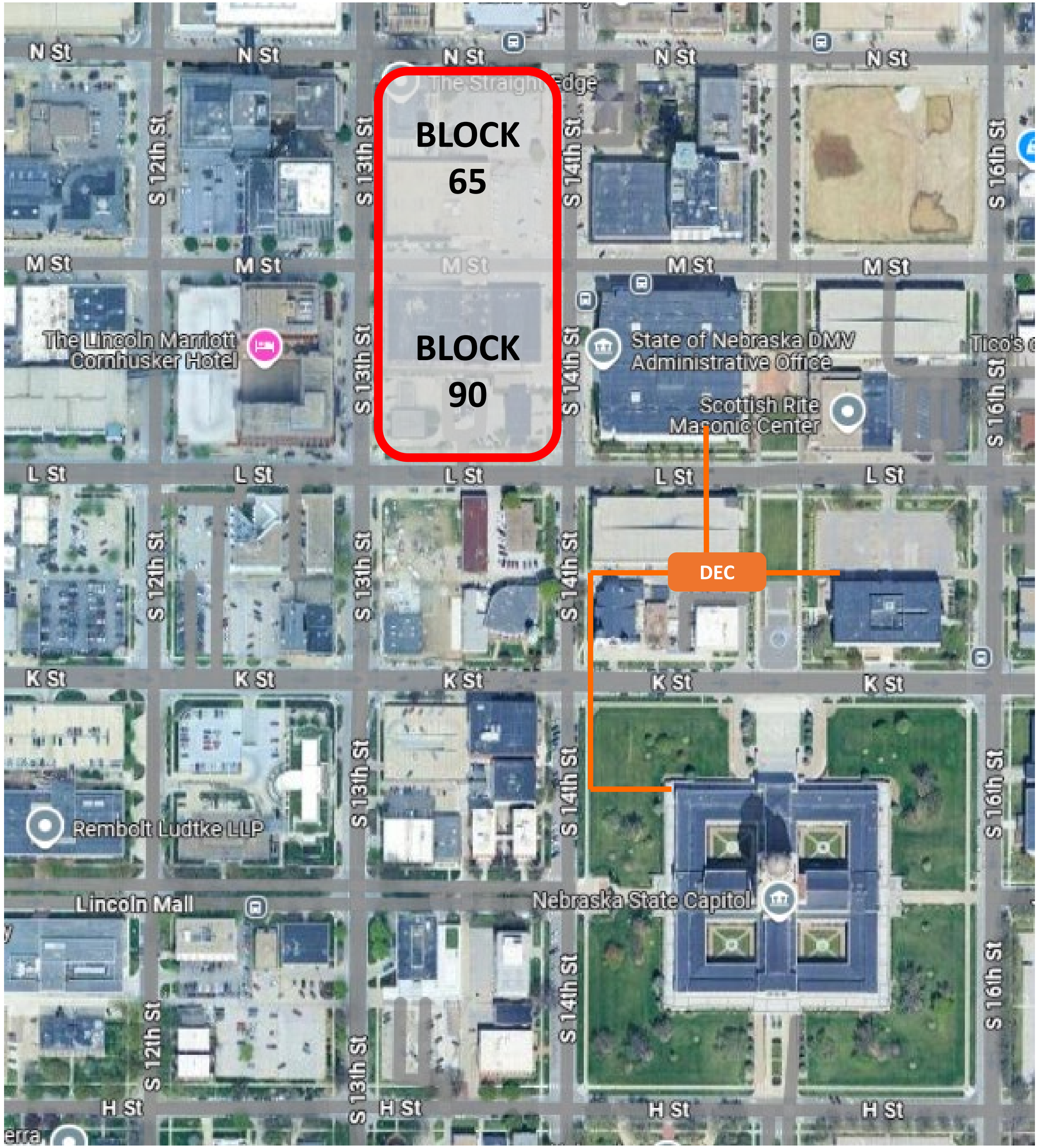
5-Year SCOPE 1 $MTCO_2e$ Emissions



5-Year SCOPE 1 $MTCO_2e$ Emissions



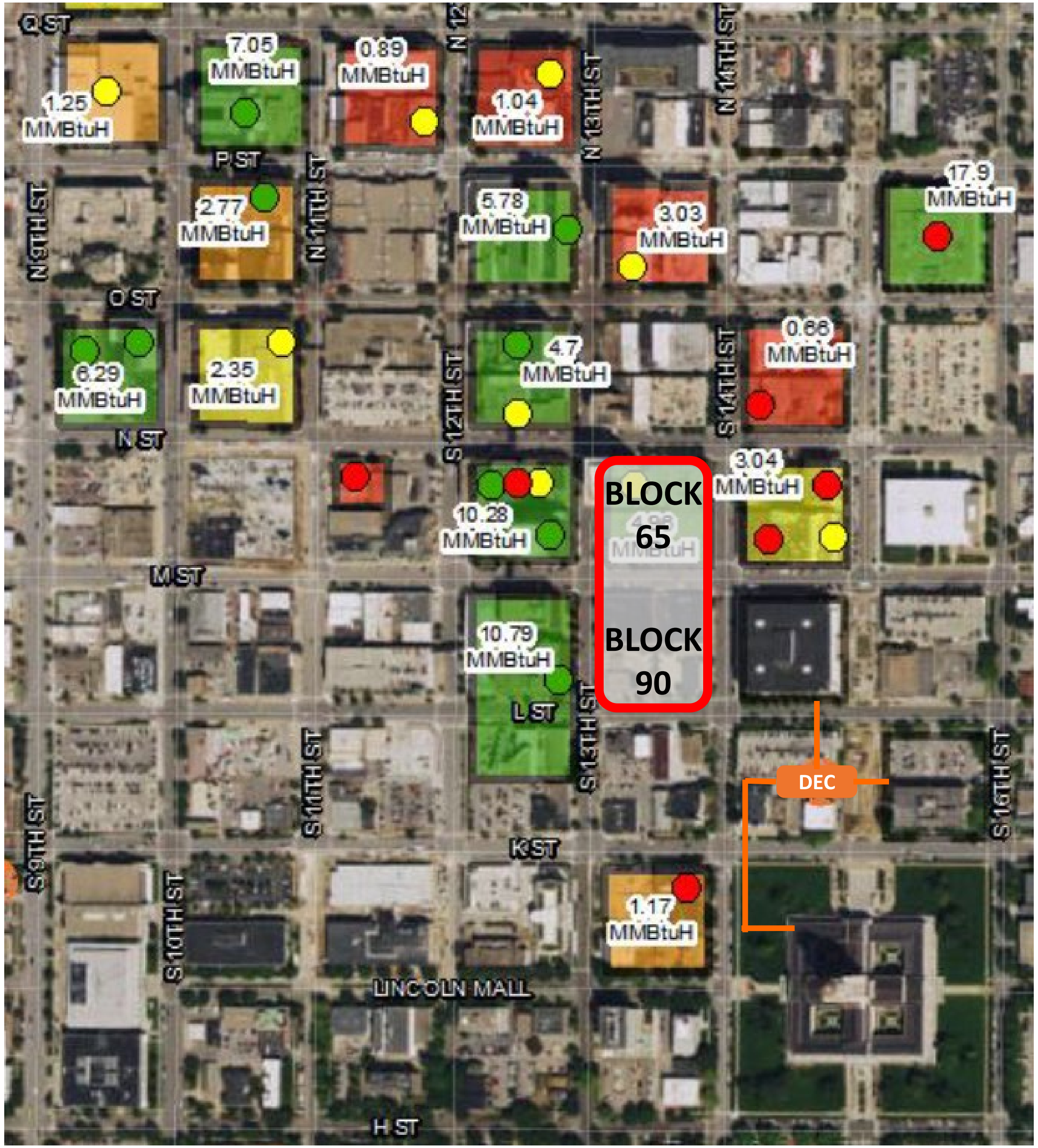
Potential New Customer Connections / Discussions



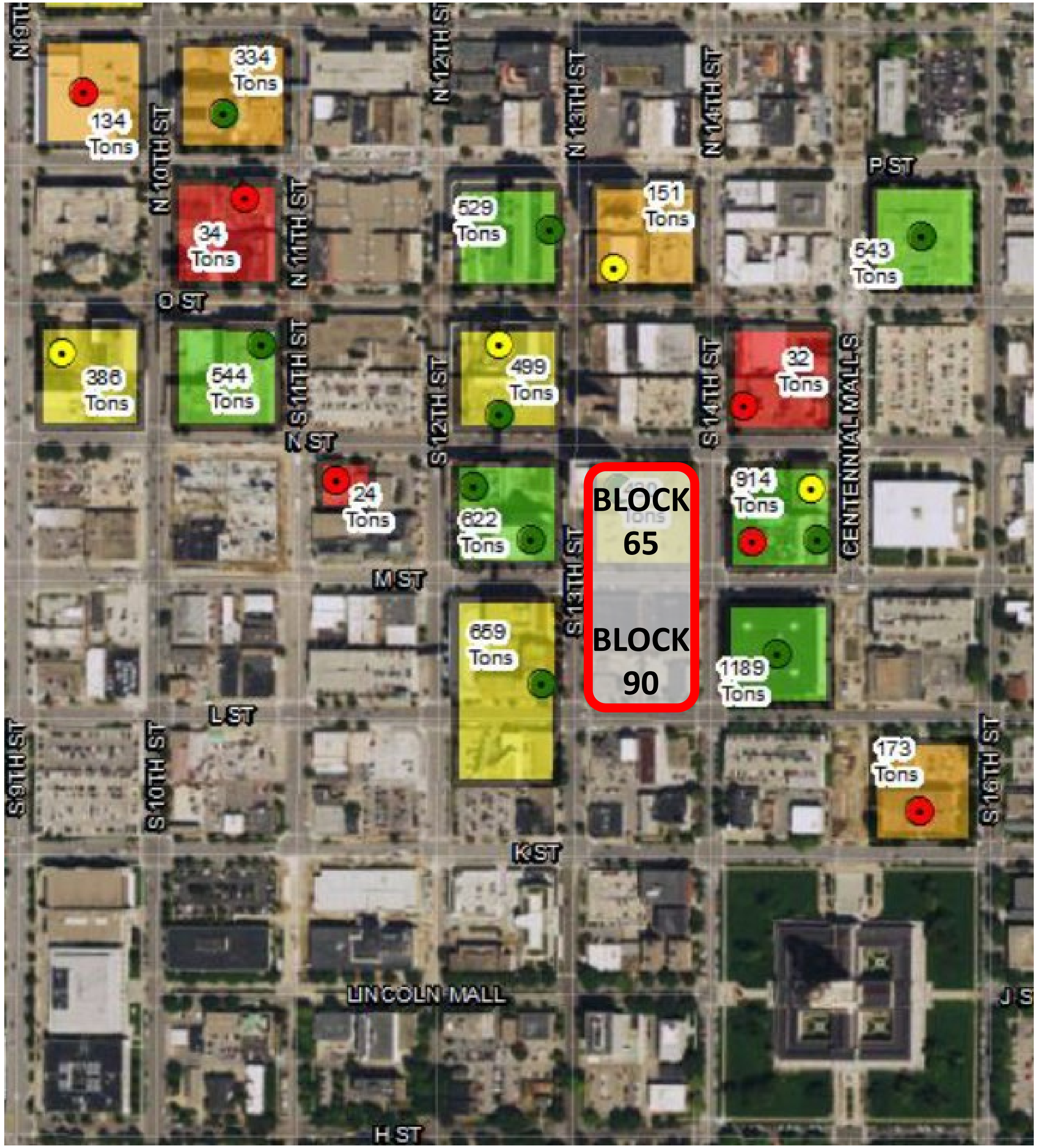
DEC Expansion

- Convention Center
  - Site selected
- Challenges
  - SBP only provides steam

    *Limited on space for expansion
  - ESA with the State
- Opportunities
  - New DEC facility
  - Partnership with UNL
  - Additional growth potential



HEATING



COOLING

Comments/Questions

*Seek motion to accept the management report

TAB IV

DEC 1st Quarter 2025 Financial Report

DEC Administrative Board
April 22, 2025

Wade Leibbrandt
Manager, Budgeting & Financial Planning

1st Quarter Financial Summary

- Change in Net Position was $249K, 80% above budget.
- Timing of operating expenses and lower-than-expected payroll costs in the first quarter led to Operating Expenses being 6.5% below budget.
- Investment Income was $53K, or 82%, above budget.

2025 Year-To-Date $ in Thousands	Actual	Budget	$ Var	% Var
Operating Revenue	**$3,425**	**$3,416**	**$9**	**0.3%**
Energy	$832	$806	$26	+3.3%
O&M	$350	$479	($129)	-26.9%
A&G	$546	$615	($69)	-11.2%
Depreciation	$909	$922	($13)	-1.4%
Total Operating Expenses	**$2,637**	**$2,821**	**($184)**	**-6.5%**
Non-Operating Expenses (Income)	**$227**	**$283**	**($56)**	**-19.6%**
Change in Net Position	**$561**	**$312**	**$249**	**+79.6%**

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.

1st Quarter Revenue

About 79% of DEC's Revenue is through fixed demand charges.

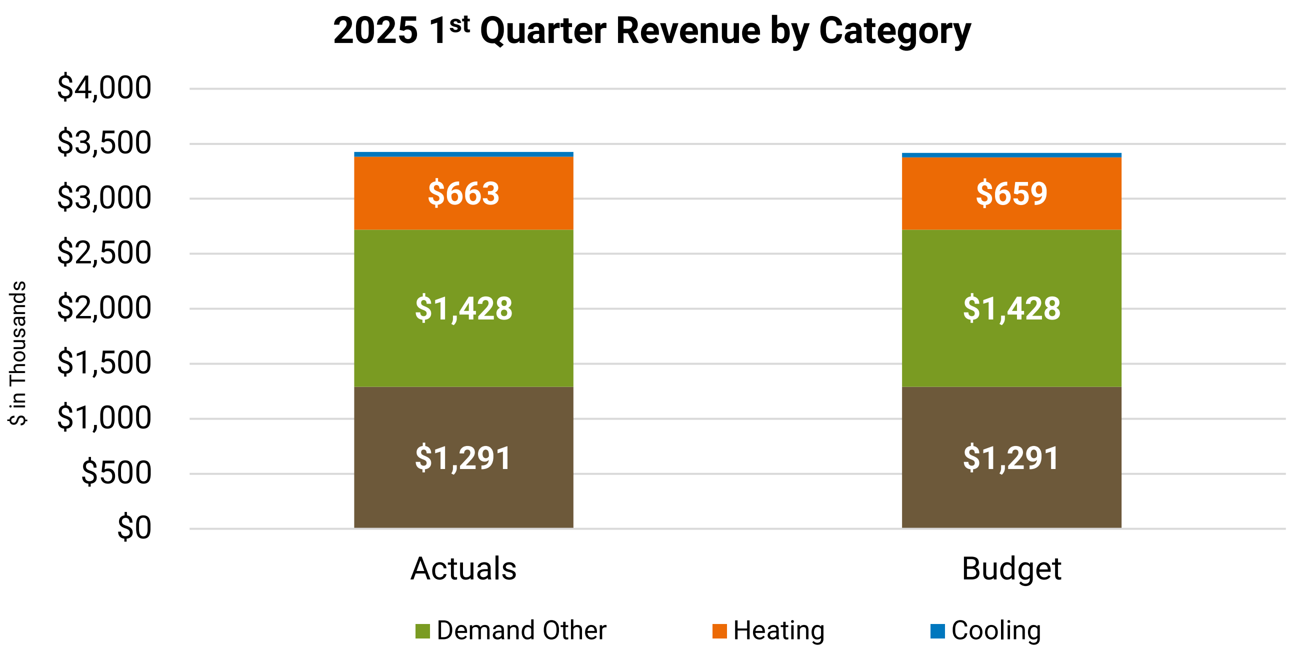
$ in Thousands

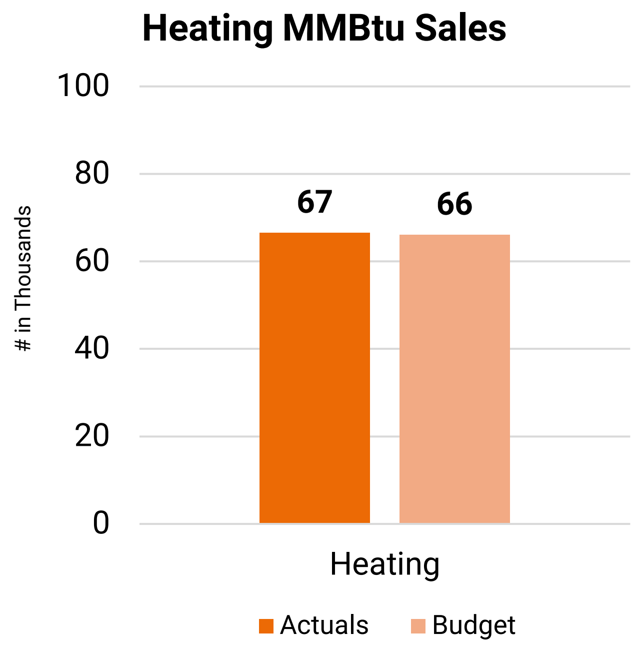
YTD Actual Revenue	YTD Bgt Revenue	$ Var	% Var
$3,425	$3,416	$9	+0.3%

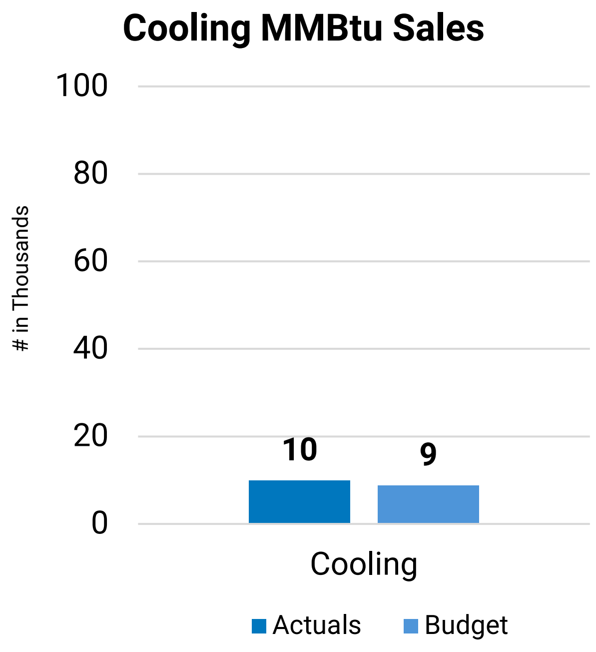
1st Quarter Sales

During the first quarter of 2025, warmer temps in March were offset by a very cold February. Overall heating sales were right at budget.

# in Thousands	Actual MMBtu	Budget MMBtu	Var	% Var
Heating	67	66	1	+0.7%
Cooling	10	9	1	+13.4%





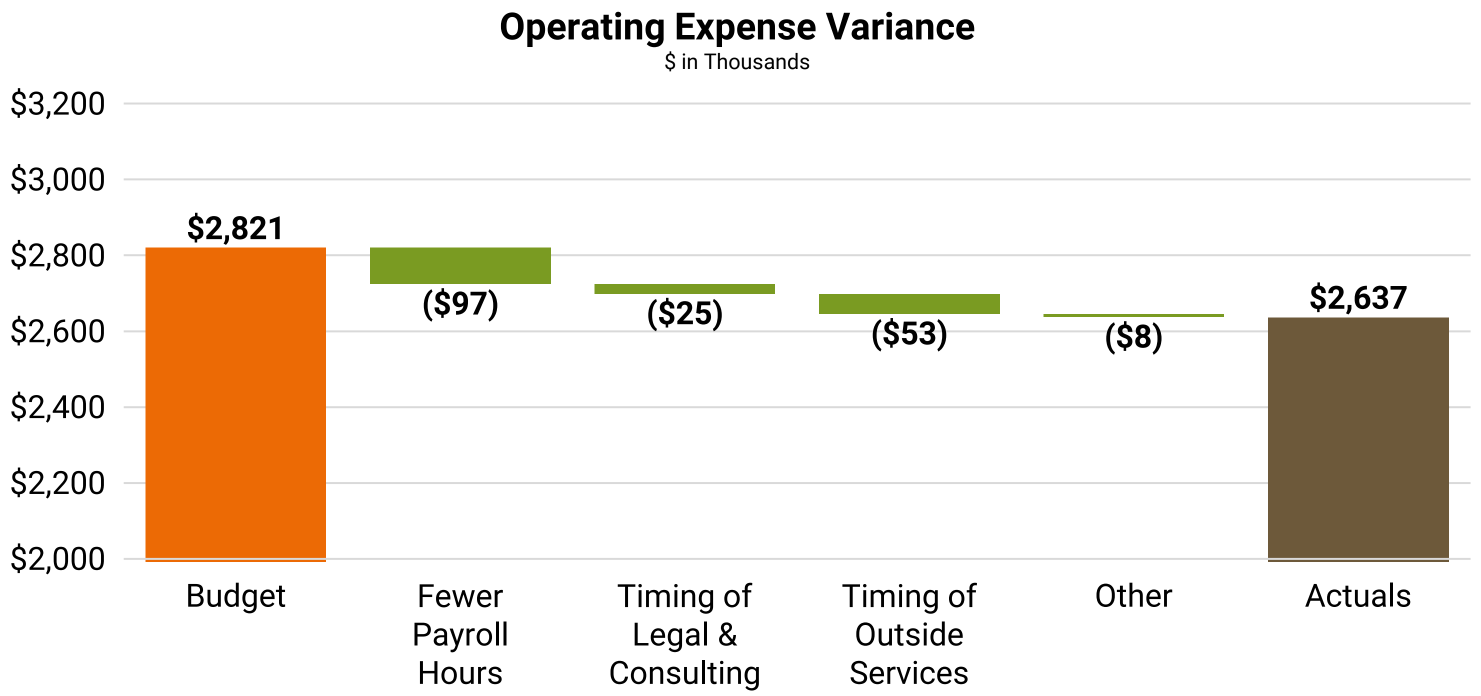


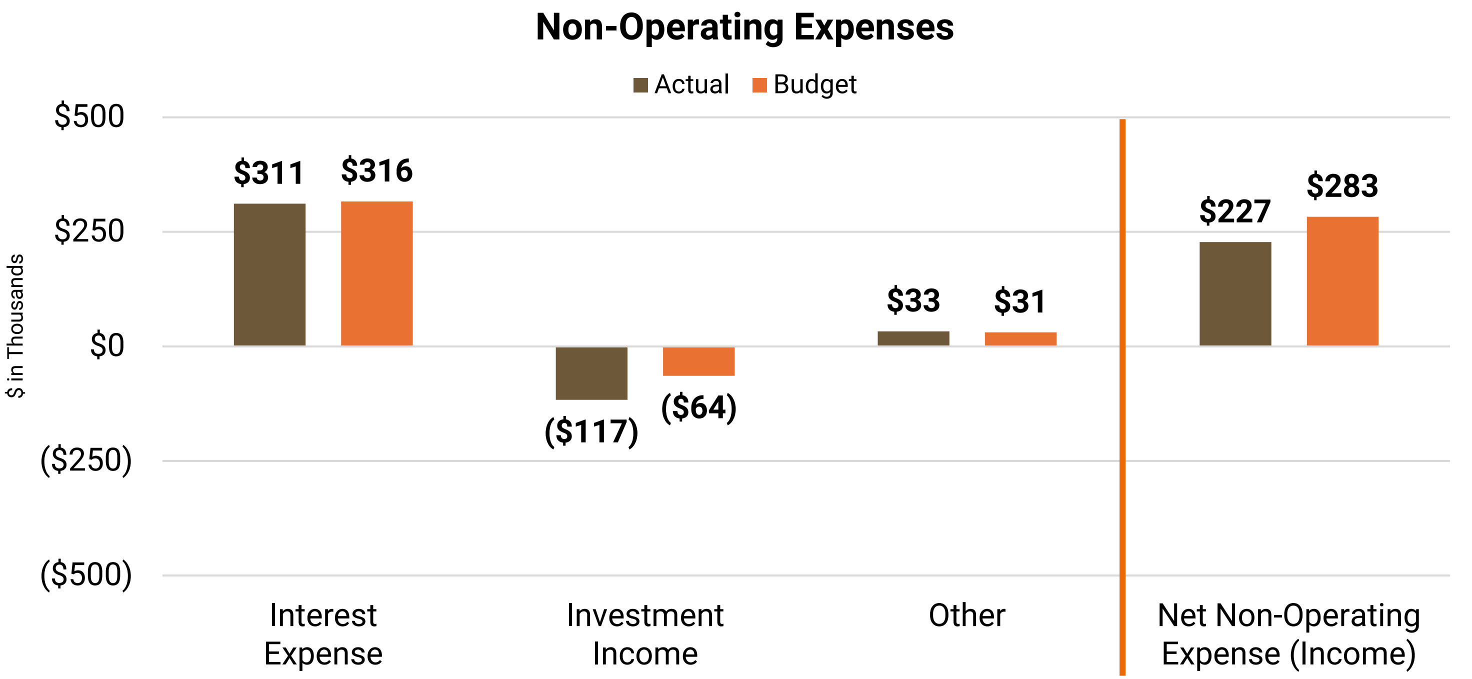
1st Quarter Expenses

Expenses were 8% below budget due to:

- Investment income about 82% higher than budget
- Payroll 29% below budget due to fewer payroll hours charged to DEC
- Timing of expenses for outside legal, consulting and other outside services

$ in Thousands	Actual Expenses	Budget Expenses	Var	% Var
Operating	$2,637	$2,821	($184)	-6.5%
Non-Operating	$227	$283	($56)	-19.6%
Total	$2,865	$3,104	($239)	-7.7%

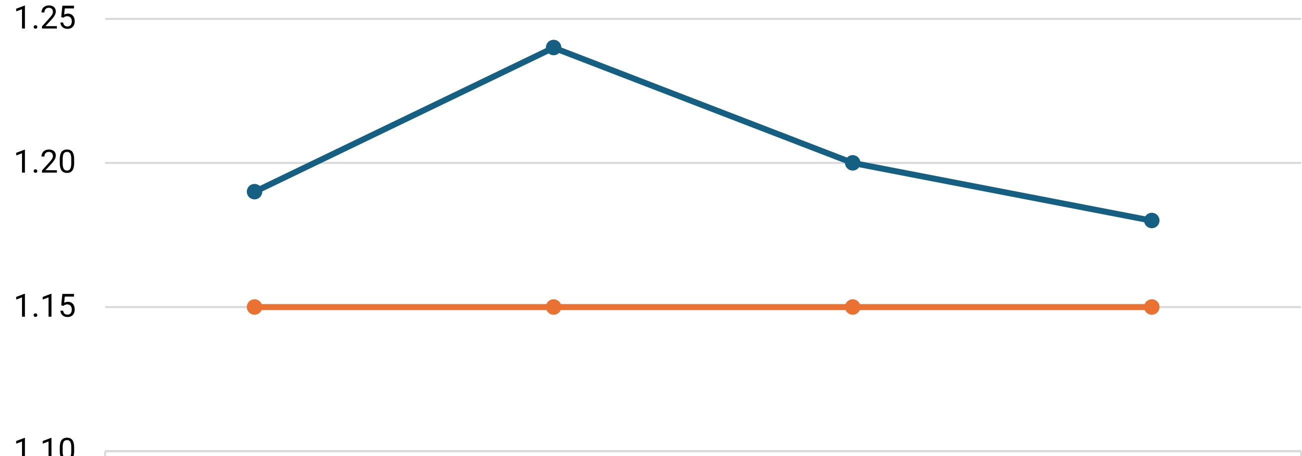




2025 Financial Metrics

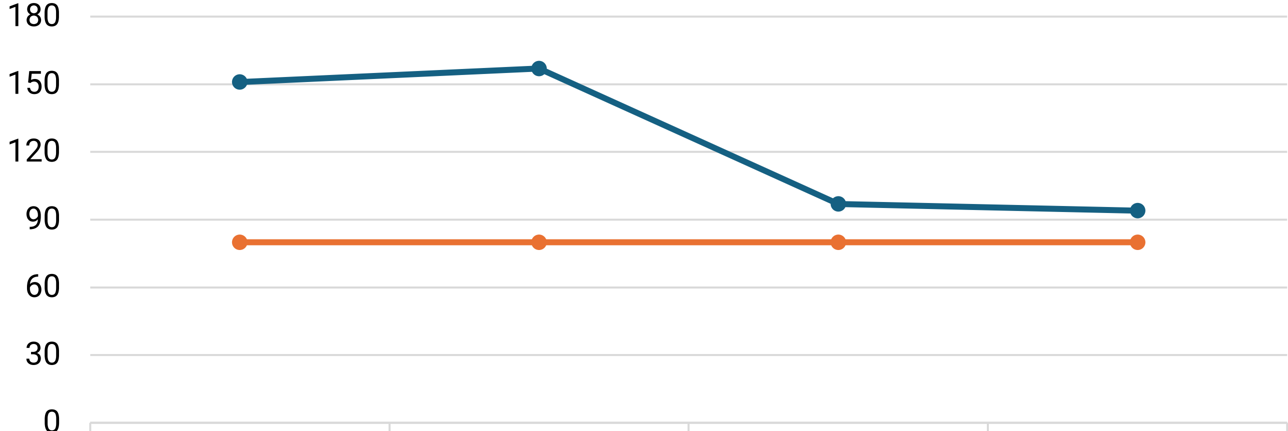
- DEC met the minimum targets for Debt Service Coverage and Days Cash on Hand.
- Consolidated metrics are reported externally; however, Debt Service Coverage and Days Cash on Hand are monitored by facility.
- DEC has $1.2M outstanding on the JP Morgan revolving credit facility as of March 31, 2025.

Debt Service Coverage Ratio



	2022 Actual	2023 Actual	2024 Actual	2025 Projected
Actual	1.19	1.24	1.20	1.18
Minimum	1.15	1.15	1.15	1.15

Days of Cash on Hand
(Operating Fund Only)



	2022 Actual	2023 Actual	2024 Actual	2025 Projected
Actual	151	157	97	94
Minimum	80	80	80	80

2025 Capital

- DEC has only spent $44K on active projects in 2025. Capital spending is expected to pick up in the spring.
- 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 3/31/2025*	Current Budget	Remaining ($)
DEC Central Cyber Security System	2024	$0	$66	$66
DEC Physical Security and Safety	2024	$93	$141	$48
State Deaerator Replacement	2025	$0	$150	$150
CADF Loop Field Fluid Cooler	2024	$329	$797	$468
CADF Backup Circuit Pumps for Each Loop	2024	$341	$366	$25
CADF Multistack Upgrade	2024	$0	$230	$230
WHM Boiler Addition	2024	$459	$826	$367
Total		**$1,222**	**$2,576**	**$1,354**

*Life-to-Date includes spending on projects that took place prior to 2025.

TAB V

District Energy Corporation

Independent Auditor's Report and Financial Statements

December 31, 2024 and 2023

DEC
ENERGY

District Energy Corporation

December 31, 2024 and 2023

Contents

Forvis Mazars, LLP
1248 O Street, Suite 1040
Lincoln, NE 68508
P 402.473.7600 | F 402.473.7698
forvismazars.us

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, 2024 and 2023, 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, 2024 and 2023, 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.

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.

Forvis Mazars, LLP

Lincoln, Nebraska
April 17, 2025

District Energy Corporation

Management's Discussion and Analysis (Unaudited)

December 31, 2024 and 2023

FINANCIAL REPORT OVERVIEW

The information provided in the Management's Discussion and Analysis (MD&A) section of the Financial Report explains the activities, plans and events that impacted District Energy Corporation (DEC) financial position and operating results for the years ended December 31, 2024, 2023 and 2022. This overview from management is one of the three components of the Financial Report. The other two components are the Financial Statements and Notes to the Financial Statements. The Financial Report should be read in its entirety to understand the events and conditions impacting DEC.

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 non-operating 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.

2024 SIGNIFICANT EVENTS

- Two additional electric boilers for the West Haymarket Plant (WHM) were purchased in 2024. These boilers will be installed in 2025, which can provide additional backup heating in the event natural gas service is disrupted.
- A geothermal well field heater was installed at the LES Operations Center Thermal Plant (LOC) to balance the variances in well field temperatures and ensure reliable and efficient operation.
- Additional hydronic pumps were installed at the three water loops at the County Adult Detention Facility (CADF) to improve reliability.
- The soft water makeup piping was replaced at the State Boiler Plant (State) to increase makeup water capability and ensure reliable operation.
- Additional insulation was added to valves at the State Boiler Plant (State) to reduce heat loss and improve overall efficiency.

- Several other projects were completed to improve safety, security, and customer service at all of the DEC facilities. This included additional electric card access to generator control rooms and refrigerant leak detection.

FINANCIAL POSITION AND OPERATING RESULTS

CONDENSED STATEMENTS OF NET POSITION

	2024	2023	2022
Current Assets	$ 8,368,096	$ 9,115,468	$ 7,373,297
Noncurrent Assets	4,247,712	4,243,132	5,483,845
Capital Assets, net	57,278,630	59,715,395	62,254,612
Deferred Outflows of Resources	1,047,224	1,109,035	1,172,706
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 70,941,662	$ 74,183,030	$ 76,284,460
Current Liabilities	$ 5,176,337	$ 7,013,298	$ 5,333,485
Noncurrent Liabilities	56,006,966	59,117,414	64,764,836
TOTAL LIABILITIES	61,183,303	66,130,712	70,098,321
Net investment in capital assets	1,720,332	(117,312)	(819,025)
Restricted for debt service	2,503,371	2,259,503	1,673,000
Unrestricted	5,534,656	5,910,127	5,332,164
NET POSITION	9,758,359	8,052,318	6,186,139
TOTAL LIABILITIES AND NET POSITION	$ 70,941,662	$ 74,183,030	$ 76,284,460

Comparison of 2024 to 2023

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

Total liabilities decreased $4,947,409, or 7.5 percent, in 2024 compared to 2023. Current liabilities decreased $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 $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.

Comparison of 2023 to 2022

Total assets and deferred outflows of resources decreased $2,101,430, or 2.8 percent, in 2023 as compared to 2022. Current assets increased $1,742,171, or 23.6 percent, due primarily to increased interest income and the makeup of the cash and investment balances. Noncurrent assets decreased $1,240,713, or 22.6 percent, primarily due to payments from the construction fund. Capital assets decreased $2,539,217, or 4.1 percent, primarily due to routine monthly depreciation. Deferred outflows of resources decreased $63,671, or 5.4 percent, due to the amortization of deferred losses on refunded debt.

Total liabilities decreased $3,967,609, or 5.7 percent, in 2023 compared to 2022. Current liabilities increased $1,679,813, or 31.5 percent, due to increased accounts payable related to the West Haymarket valve project and the line of credit balance being current in 2023 due to stated maturity of August 19, 2024. Noncurrent liabilities decreased $5,647,442, or 8.7 percent, due to premium amortization and principal payments on long-term debt.

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2024	2023	2022
Operating Revenues	$ 12,315,942	$ 12,505,413	$ 12,058,862
Operating Expenses	9,930,292	9,644,776	9,038,343
OPERATING INCOME	$ 2,385,650	$ 2,860,637	$ 3,020,519
Interest Expense	$ (1,410,927)	$ (1,467,826)	$ (1,461,673)
Other Nonoperating Revenues	731,318	473,368	93,397
TOTAL NONOPERATING EXPENSES	(679,609)	(994,458)	(1,368,276)
CHANGE IN NET POSITION	$ 1,706,041	$ 1,866,179	$ 1,652,243

OPERATING REVENUES

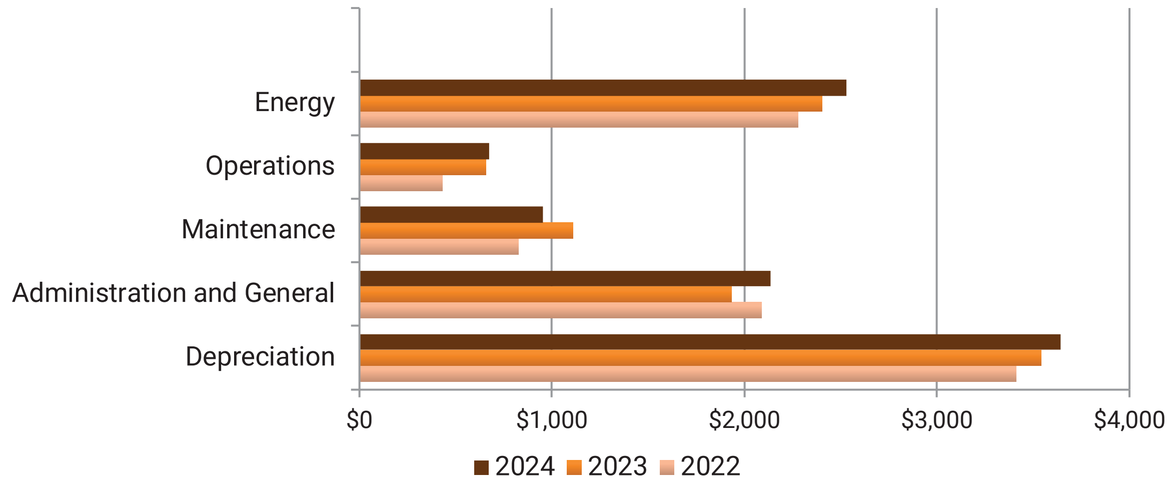
Comparison of 2024 to 2023

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.

Comparison of 2023 to 2022

Operating revenues for 2023 were $12,505,413 an increase of $446,551, or 3.7 percent, compared to 2022 operating revenues of $12,058,862. Operating revenues increased primarily due to an increase in heating rates for all plants.

OPERATING EXPENSES
(Dollars in thousands)



Comparison of 2024 to 2023

Operating expenses for 2024 were $9,930,292, an increase of $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 $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 $97,358, or 2.7 percent, due to additional depreciable assets added during the year.

Comparison of 2023 to 2022

Operating expenses for 2023 were $9,644,776, an increase of $606,433, or 6.7 percent, over 2022 operating expenses of $9,038,343. Energy expenses increased by $124,257, or 5.5 percent, primarily due to increased water and chemical expenses. Operation and maintenance expenses increased $505,893, or 40.2 percent, primarily due to increased payroll costs, and costs related to the West Haymarket valve project. Administration and general expenses decreased by $155,144, or 7.4 percent, due to the complete repayment on the SAP project in 2022. Depreciation expense increased $131,427, or 3.9 percent, due to additional depreciable assets added during the year.

RATES

DEC's rates are designed using cost of service principles. An annual budget, which includes operating, maintenance, administration & general, depreciation, capital, and recommended rates, is approved by the Board. Customers pay the monthly charges as outlined in the Thermal/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.

CASH AND FINANCING ACTIVITIES

CONDENSED STATEMENTS OF CASH FLOWS

	2024	2023	2022
Cash Flows from Operating Activities	$ 5,405,633	$ 6,930,886	$ 7,100,570
Cash Flows from Capital and Related Financing Activities	(6,921,342)	(6,767,791)	(6,022,866)
Cash Flows from Investing Activities	(2,451,274)	(685,123)	3,644,347
NET CHANGE IN CASH AND CASH EQUIVALENTS	$ (3,966,983)	$ (522,028)	$ 4,722,051

Cash flows from operating activities contain transactions involving customers and suppliers.

Cash flows from capital and related financing activities contain transactions involving the acquisition and construction of capital assets and the long-term debt related to that capital.

Cash flows from investing activities contain transactions related to interest income and security purchases and maturities.

Comparison of 2024 to 2023

Cash inflows from operating activities for 2024 were $5,405,633, a decrease of $1,525,253 from 2023, primarily due to an increase in supplies and services costs and a decrease in customer receipts. Cash outflows used for capital and related financing activities for 2024 were $6,921,342, an increase of $153,551 from 2023 due to an increase in capital expenditures. Cash outflows from investing activities were $2,451,274 in 2024 compared to cash outflows of $685,123 in 2023 for a year-over-year increase of $1,766,151. This change is primarily due to increased investment purchases in 2024.

Comparison of 2023 to 2022

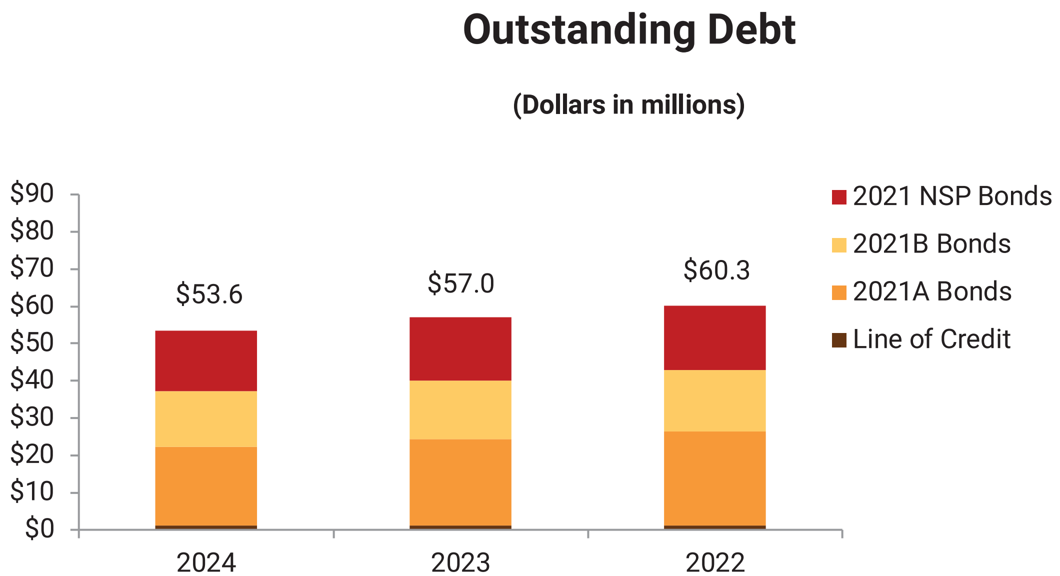
Cash inflows from operating activities for 2023 were $6,930,886, a decrease of $169,684 from 2022, primarily due to increases in labor expenses and fuel costs. Cash outflows used for capital and related financing activities for 2023 were $6,767,791, an increase of $744,925 from 2022 as there were no draws on the line of credit agreement. Cash outflows from investing activities were $685,123 in 2023 compared to cash inflows of $3,644,347 in 2022 for a year-over-year decrease of $4,329,470. This change is primarily due to increased investment purchases in 2023.

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 $1,200,000 as of December 31, 2024 and 2023.

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

The following chart shows outstanding debt as of December 31, 2024, 2023 and 2022.



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, 2024, 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

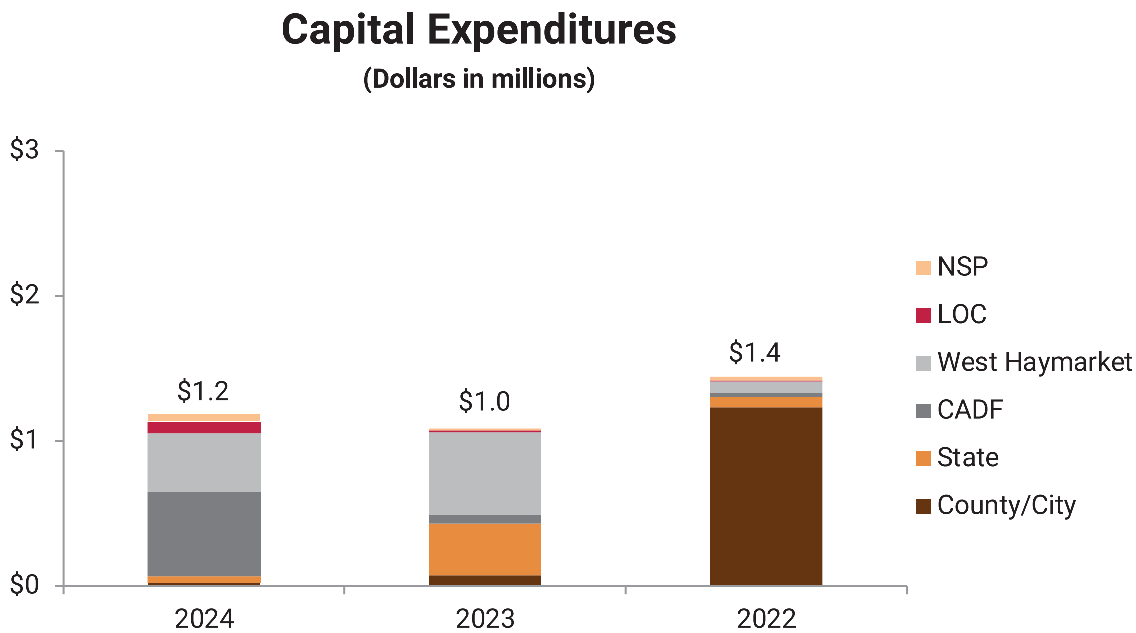
The following table reflects the calculation of the debt service coverage ratio. The ratio reflects DEC's year-end funds available to pay its debt service. DEC's bond resolution establishes a debt service coverage requirement of 1.0.

	2024	2023	2022
OPERATING REVENUE	$ 12,315,942	$ 12,505,413	$ 12,058,862
Energy	2,528,492	2,403,126	2,278,869
Operations	672,261	656,589	432,556
Maintenance	954,167	1,108,520	826,660
Administration and General	2,135,564	1,934,091	2,089,235
TOTAL OPERATING EXPENSES (EXCLUDING DEPRECIATION)	6,290,484	6,102,326	5,627,320
Net Operating Revenue	6,025,458	6,403,087	6,431,542
Interest Income*	448,198	447,021	93,397
Transfer to Rate Stabilization Fund	-	(69,000)	(57,000)
Financing Receipts**	191,362	238,749	255,385
AVAILABLE FOR DEBT SERVICE	$ 6,665,018	$ 7,019,857	$ 6,723,324
DEBT SERVICE	$ 5,579,036	$ 5,642,140	$ 5,640,264
DEBT SERVICE COVERAGE RATIO	1.19	1.24	1.19

*Interest earned on the rate stabilization fund is excluded for 2024 and 2023, but included for 2022.
**Financing receipts for energy efficiency projects related to the CADF Thermal Plant and State of Nebraska (see Note 3).

CAPITAL EXPENDITURES

Capital expenditures for 2024, 2023 and 2022 are shown in the chart below.



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.

Significant projects during 2023 included:

- State Boiler Plant:
    - The original roof that was installed in 1999 was replaced to maintain the integrity of the building structure.
    - The condensate storage tank was replaced including the associated pumps and controls, which greatly improved plant reliability.
- West Haymarket Plant
    - Improvements were completed on the hot water distribution piping and valves. The work was performed between May and September 2023, following an inspection done in 2022.

CONTACT INFORMATION

This financial report is designed to provide a general overview of DEC's financial status for 2024, 2023 and 2022. Questions concerning any information provided in this report or requests for additional financial information can 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.

District Energy Corporation

Statements of Net Position

December 31, 2024 and 2023

	2024	2023
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	$ 1,032,915	$ 4,499,273
Investments	2,923,571	575,932
Restricted cash, cash equivalents and investments	3,206,727	3,267,925
Accounts receivable	811,383	263,830
Financing receivables	137,335	191,360
Inventory	201,001	143,120
Prepaid expenses	55,164	24,438
Other current assets	-	149,590
Total current assets	8,368,096	9,115,468
Noncurrent Assets		
Restricted cash, cash equivalents and investments	3,114,822	2,928,401
Financing receivables, net	738,932	876,267
Costs recoverable from future billings	393,958	438,464
Total noncurrent assets	4,247,712	4,243,132
Capital Assets		
Utility plant	91,079,074	90,737,247
Accumulated depreciation	(35,100,200)	(31,460,392)
Construction work in progress	1,299,756	438,540
Total capital assets	57,278,630	59,715,395
Deferred Outflows of Resources		
Deferred loss on refunded debt	1,047,224	1,109,035
Total assets and deferred outflows of resources	$ 70,941,662	$ 74,183,030

District Energy Corporation

Statements of Net Position

December 31, 2024 and 2023

	2024	2023
Liabilities and Net Position		
Current Liabilities		
Accounts payable	$ 699,773	$ 1,293,324
Current portion of long-term debt	3,430,000	4,605,000
Accrued interest payable	1,046,564	1,114,974
Total current liabilities	5,176,337	7,013,298
Noncurrent Liabilities		
Long-term Debt, Net	55,928,680	59,117,414
Other noncurrent liabilities	78,286	-
Total noncurrent liabilities	56,006,966	59,117,414
Total liabilities	61,183,303	66,130,712
Net Position		
Net investment in capital assets	1,720,332	(117,312)
Restricted for debt service	2,503,371	2,259,503
Unrestricted	5,534,656	5,910,127
Total net position	9,758,359	8,052,318
Total liabilities and net position	$ 70,941,662	$ 74,183,030

District Energy Corporation

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended December 31, 2024 and 2023

	2024	2023
Operating Revenues	$ 12,315,942	$ 12,505,413
Operating Expenses		
Energy	2,528,492	2,403,126
Operations	672,261	656,589
Maintenance	954,167	1,108,520
Administration and general	2,135,564	1,934,091
Depreciation	3,639,808	3,542,450
Total operating expenses	9,930,292	9,644,776
Operating Income	2,385,650	2,860,637
Non-Operating Revenues (Expenses)		
Interest expense on long-term debt	(1,410,927)	(1,467,826)
Investment income	484,512	473,368
Other non-operating income (expense)	246,806	-
Total non-operating expenses (net)	(679,609)	(994,458)
Change in Net Position	1,706,041	1,866,179
Net Position - Beginning of Year	8,052,318	6,186,139
Net Position - End of Year	$ 9,758,359	$ 8,052,318

District Energy Corporation
Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	2024	2023
Operating Activities		
Received from sales to customers and users	$ 12,247,138	$ 12,658,983
Paid to suppliers for goods and services	(6,841,505)	(5,728,097)
Net cash provided by operating activities	5,405,633	6,930,886
Capital and Related Financing Activities		
Capital expenditures for utility plant	(1,184,587)	(1,042,451)
Principal payments on long-term debt	(3,405,000)	(3,290,000)
Interest payments on long-term debt	(2,306,755)	(2,435,340)
Debt issuance costs	(25,000)	-
Net cash used in capital and related financing activities	(6,921,342)	(6,767,791)
Investing Activities		
Net (purchases) and sales of investments	(2,973,488)	(1,118,780)
Interest received	522,214	433,657
Net cash provided by (used in) investing activities	(2,451,274)	(685,123)
Net Change in Cash and Cash Equivalents	(3,966,983)	(522,028)
Cash and Cash Equivalents - Beginning of Year	6,217,619	6,739,647
Cash and Cash Equivalents - End of Year	$ 2,250,636	$ 6,217,619
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Cash and cash equivalents	1,032,915	4,499,273
Restricted cash, cash equivalents and investments - current	3,206,727	3,267,925
Restricted cash, cash equivalents and investments - noncurrent	3,114,822	2,928,401
Total cash, cash equivalents and investments	7,354,464	10,695,599
Less: investments not classified as cash equivalents	(5,103,828)	(4,477,980)
Total cash and cash equivalents	$ 2,250,636	$ 6,217,619

District Energy Corporation

Statements of Cash Flows

Years Ended December 31, 2024 and 2023

	2024	2023
Reconciliation of Operating Income To Net Cash Provided By Operating Activities		
Operating income	$ 2,385,650	$ 2,860,637
Noncash items included in operating income		
Depreciation	3,639,808	3,542,450
Changes in operating assets and liabilities		
Accounts receivable	(260,164)	(15,181)
Inventory	(57,881)	(11,973)
Prepaid expenses	(30,726)	(4,438)
Financing receivable	191,360	238,749
Accounts payable	(612,004)	540,232
Unearned revenue	-	(70,000)
Other current assets	149,590	(149,590)
Net cash provided by operating activities	$ 5,405,633	$ 6,930,886
Supplemental Noncash Activities		
Capital asset acquisitions included in accounts payable	$ 18,456	$ 41,177
Bond premium amortization	958,734	1,042,422
Amortization of deferred loss on refunding	61,811	63,671

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 accounting principles generally accepted in the United States of America 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.

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, 2024 and 2023, 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, 2024 and 2023.

Inventory

Inventories are valued at the lower of 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, 2024 and 2023, 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 plant 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.

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 non-operating expenses. The deferred loss on refunded debt balance was $1,047,224 and $1,109,035 as of December 31, 2024 and 2023, 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.

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

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with DEC’s principal ongoing operations. The principal operating revenues of DEC are charges to customers for services. Operating expenses include the cost of services, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues 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: 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, 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.

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, 2024 and 2023, DEC had the following investments:

December 31, 2024	Carrying Value	Maturities in Years: Less Than 1	Maturities in Years: 1-5	Credit Ratings Moody's / S&P	Fair Value Hierarchy Level
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
	$ 9,384,885	$ 4,258,603	$ 5,126,282		

December 31, 2023	Carrying Value	Maturities in Years: Less Than 1	Maturities in Years: 1-5	Credit Ratings Moody's / S&P	Fair Value Hierarchy Level
Money market mutual funds	$ 3,383,935	$ 3,383,935	$ -	Aaa/AAAm	N/A
U.S. Treasury securities	2,968,604	2,968,604	-	Aaa/AA+	2
U.S. Agency obligations	2,780,967	2,780,967	-	Aaa/AA+	2
	$ 9,133,506	$ 9,133,506	$ -		

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.

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, 2024 and 2023 met minimum credit ratings as required by DEC's investment policy.

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.

Investment Type	Portfolio Composition	Limits of Individual Issuers	Maturity Limitations
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

At December 31, 2024 and 2023 DEC had the following investment concentrations:

	Portfolio Composition December 31,	
	2024	2023
U.S. sponsored agency obligations		
Federal Home Loan Bank	31.74%	30.45%
Federal National Mortgage Association	15.35%	0.00%

Summary of Carrying Values

The carrying values of cash deposits and investments as of December 31, 2024 and 2023 were as follows:

	2024	2023
Cash Deposits	$ 893,150	$ 2,138,025
Investments	9,384,885	9,133,506
	$ 10,278,035	$ 11,271,531
Current Assets		
Cash and cash equivalents		
Operating funds	$ 1,012,043	$ 4,399,156
Rate Stabilization Fund	20,872	100,117
Total	1,032,915	4,499,273
Investments		
Operating funds	2,233,451	-
Rate Stabilization Fund	690,120	575,932
Total	2,923,571	575,932
Restricted cash, cash equivalents and investments		
Bond principal and interest funds	3,206,727	3,267,925
Nonurrent Assets		
Restricted cash, cash equivalents and investments		
Bond reserve funds	3,114,822	2,928,401
Total	3,114,822	2,928,401
	$ 10,278,035	$ 11,271,531

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 $0 and $69,000 in 2024 and 2023, respectively. For 2024, the Board authorized the use of RSF for the Nebraska State Penitentiary (NSP), but the transfer was deemed unnecessary. The RSF transfers help make progress toward meeting the intended target.

Note 3: Financing Receivables

DEC has purchased and installed certain energy efficiency equipment for Lancaster County, Nebraska (the County) at the County Adult Detention Facility's (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, 2024, are as follows:

Year Ending December 31,	Principal
2025	$ 137,335
2026	139,141
2027	140,970
2028	142,824
2029	144,701
2030-2031	171,296
Total	$ 876,267

DEC has financed certain energy efficiency projects for the building acquired by the State of Nebraska (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, 2024.

Note 4: Utility Plant

Utility plant activity for the years ended December 31, 2024 and 2023 was as follows:

	2024				
	January 1,	Increases	Decreases	Transfers	December 31,
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	(31,460,392)	(3,639,808)	-	-	(35,100,200)
Totals	$ 59,715,395	$ (2,436,765)	$ -	$ -	$ 57,278,630

	2023				
	January 1,	Increases	Decreases	Transfers	December 31,
Construction work in progress (not depreciated)	$ 1,642,072	$ 1,003,233	$ -	$ (2,206,765)	$ 438,540
Utility Plant	88,530,482	-	-	2,206,765	90,737,247
Less: Accumulated depreciation	(27,917,942)	(3,542,450)	-	-	(31,460,392)
Totals	$ 62,254,612	$ (2,539,217)	$ -	$ -	$ 59,715,395

Note 5: Long-Term Debt

Long-term debt consisted of the following at December 31, 2024 and 2023:

	Date Callable	2024	2023
Revenue Bonds			
Serial Bonds			
Series 2021A facility revenue refunding bonds, 5.00%, due annually through July 1, 2032	2031	17,910,000	20,110,000
Series 2021B facility revenue refunding bonds, 0.26% to 2.19%, due annually through July 1, 2031	N/A	4,855,000	5,620,000
Series 2021 NSP facility revenue bonds, 5.00%, due annually through July 1, 2040	2031	10,965,000	11,405,000
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 bonds, 4.00%, due July 1, 2045	2031	5,480,000	5,480,000
Total Revenue Bonds		52,375,000	55,780,000

Revenue and Refunding Bonds

There were no bond issuances during the fiscal years ending December 31, 2024 and 2023.

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.

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 $1,200,000 as of December 31, 2024 and 2023.

Note Payable – Direct Borrowing

The debt activities and balances at December 31, 2024 and 2023 were as follows:

	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	$ 63,722,414	$ -	$ (4,363,734)	$ 59,358,680	$ 3,430,000

	January 1, 2023	Additions	Reduction	December 31, 2023	Due Within One Year
Revenue bonds	$ 59,070,000	$ -	$ (3,290,000)	$ 55,780,000	$ 3,405,000
Bond issuance premiums	7,784,836	-	(1,042,422)	6,742,414	-
Line of credit	1,200,000	-	-	1,200,000	1,200,000
Totals	$ 68,054,836	$ -	$ (4,332,422)	$ 63,722,414	$ 4,605,000

Debt service requirements including sinking fund requirements for DEC's revenue bonds as of December 31, 2024, were as follows:

Bond Year Ending July 31,	Principal	Interest	Total
2025	$ 3,430,000	$ 2,093,128	$ 5,523,128
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
2030-2034	12,760,000	5,036,246	17,796,246
2035-2039	9,960,000	3,112,997	13,072,997
2040-2044	9,760,000	1,218,907	10,978,907
2045	1,185,000	47,400	1,232,400
Total	$ 52,375,000	$ 18,339,631	$ 70,714,631

Note 6: 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 $2,763,121 and $2,537,031 in 2024 and 2023, respectively. The total payments to LES for electric service were approximately $1,020,000 and $940,000 in 2024 and 2023, respectively. Accounts payable to LES were approximately $212,000 or 30 percent and $198,000 or 15 percent of the total accounts payable balance at December 31, 2024 and 2023, respectively.

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 a year-to-year basis by agreement between both parties. The agreements can be terminated with a one- to two-year advance notice by either party.

In 2024 and 2023, all of DEC's heating and cooling service revenues were generated from the six customers listed above.

Note 7: 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 8: 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, 2024 and 2023 are presented as follows:

CONDENSED STATEMENTS OF NET POSITION - NEBRASKA STATE PENITENTIARY

	2024	2023
Assets		
Current Assets	$ 1,960,458	$ 1,940,977
Noncurrent Assets	805,955	777,401
Capital Assets	18,583,640	19,278,823
Total Assets	$ 21,350,053	$ 21,997,201
Liabilities		
Current Liabilities	$ 1,004,197	$ 990,712
Noncurrent Liabilities	19,225,940	19,960,280
Total Liabilities	20,230,137	20,950,992
Net Position		
Net Investment in Capital Assets	(490,576)	(504,732)
Restricted for Debt Service	323,307	245,653
Unrestricted	1,287,185	1,305,288
Total Net Position	1,119,916	1,046,209
Total Liabilities and Net Position	$ 21,350,053	$ 21,997,201

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

	2024	2023
Operating Revenues	$ 2,774,614	$ 2,803,860
Operating Expenses	2,272,736	2,171,844
Operating Income	501,878	632,016
Interest Expense	(520,661)	(534,798)
Other Non-Operating Revenues	92,490	82,113
Total Non-Operating Expenses	(428,171)	(452,685)
Change in Net Position	73,707	179,331
Net Position - Beginning of Year	1,046,209	866,878
Net Position - End of Year	$ 1,119,916	$ 1,046,209

CONDENSED STATEMENTS OF CASH FLOWS - NEBRASKA STATE PENITENTIARY

	2024	2023
Cash Flows from Operating Activities	$ 984,371	$ 1,304,821
Cash Flows from Capital and Related Financing Activities	(1,280,328)	(1,243,741)
Cash Flows from Investing Activities	(397,453)	(325,979)
Net Change in Cash and Cash Equivalents	(693,410)	(264,899)
Cash and Cash Equivalents - Beginning of Year	1,531,282	1,796,181
Cash and Cash Equivalents - End of Year	$ 837,872	$ 1,531,282

TAB VI

Forvis Mazars Report to the Board of Directors and Management

District Energy Corporation

Results of the 2024 Financial Statement Audit, Including Required Communications

December 31, 2024

Required Communications Regarding Our Audit Strategy & Approach (AU-C 260)

Overview & Responsibilities

Matter	Discussion
Scope of Our Audit	This report covers audit results related to your financial statements: • As of and for the years ended December 31, 2024 and 2023 • Conducted in accordance with our contract dated August 28, 2024
Our Responsibilities	Forvis Mazars is responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management, with the oversight of those charged with governance, are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).
Audit Scope & Inherent Limitations to *Reasonable Assurance*	An audit performed in accordance with auditing standards generally accepted in the United States of America (GAAS) is designed to obtain reasonable, rather than absolute, assurance about the financial statements. The scope of our audit tests was established in relation to the financial statements taken as a whole and did not include a detailed audit of all transactions.
Extent of Our Communication	In addition to areas of interest and noting prior communications made during other phases of the engagement, this report includes communications required in accordance with GAAS that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process, including audit approach, results, and internal control. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.
Independence	The engagement team, others in our firm, as appropriate, and our firm, have complied with all relevant ethical requirements regarding independence.
Your Responsibilities	Our audit does not relieve management or those charged with governance of your responsibilities. Your responsibilities and ours are further referenced in our contract.

Matter	Discussion
Distribution Restriction	This communication is intended solely for the information and use of the following and is not intended to be, and should not be, used by anyone other than these specified parties: • Board of Directors and Management • Others within District Energy Corporation (DEC)

Qualitative Aspects of Significant Accounting Policies & Practices

Significant Accounting Policies

Significant accounting policies are described in Note 1 of the audited financial statements.

With respect to new accounting standards adopted during the year, we call to your attention the following topic:

- No matters are reportable

Unusual Policies or Methods

With respect to significant unusual accounting policies or accounting methods used for significant unusual transactions (significant transactions outside the normal course of business or that otherwise appear to be unusual due to their timing, size, or nature), we noted the following:

- No matters are reportable

Alternative Accounting Treatments

We had discussions with management regarding alternative accounting treatments within GAAP for policies and practices for material items, including recognition, measurement, and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, as follows:

- Proper accounting treatment in accordance with the provisions of Governmental Accounting Standards Board Codification Section Re 10, *Regulated Operations*

Management Judgments & Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. Significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates include:

- Estimated useful lives of capital assets and depreciation methods

Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Financing receivables
- Related party transactions

Our Judgment About the Quality of DEC's Accounting Principles

During the course of the audit, we made the following observations regarding DEC's application of accounting principles:

- No matters are reportable

Adjustments Identified by Audit

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments that, in its judgment, are required to prevent the financial statements from being materially misstated.

A misstatement is a difference between the amount, classification, presentation, or disclosure of a reported financial statement item and that which is required for the item to be presented fairly in accordance with the applicable financial reporting framework.

Proposed & Recorded Adjustments

Auditor-proposed and management-recorded entries include the following:

- Arbitrage rebate liability and related expense

Uncorrected Misstatements

- No uncorrected misstatements to report

Other Required Communications

Other Material Communications

Listed below are other material communications between management and us related to the audit:

- Management representation letter (see Attachment)

We orally communicated to management an other deficiency in internal control identified during our audit that is not considered a material weakness or significant deficiency.

Attachment

Management Representation Letter

As a material communication with management, included herein is a copy of the representation letter provided by management at the conclusion of our engagement.

Representation of:
District Energy Corporation
9445 Rokeby Rd
Lincoln, Nebraska 68526-9788

Provided to:
Forvis Mazars, LLP
Certified Public Accountants
Union Bank Place, 1248 O Street, Suite 1040
Lincoln, Nebraska 68508

The undersigned ("We") are providing this letter in connection with Forvis Mazars' audits of our financial statements as of and for the years ended December 31, 2024 and 2023.

Our representations are current and effective as of the date of Forvis Mazars' report: April 17, 2025.

Our engagement with Forvis Mazars is based on our contract for services dated: August 28, 2024.

Our Responsibility & Consideration of Material Matters

We confirm that we are responsible for the fair presentation of the financial statements subject to Forvis Mazars' report in conformity with accounting principles generally accepted in the United States of America.

We are also responsible for adopting sound accounting policies; establishing and maintaining effective internal control over financial reporting, operations, and compliance; and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

Confirmation of Matters Specific to the Subject Matter of Forvis Mazars' Report

We confirm, to the best of our knowledge and belief, the following:

Broad Matters

1. We have fulfilled our responsibilities, as set out in the terms of our contract, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.

2. We acknowledge our responsibility for the design, implementation, and maintenance of:

    a. Internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

    b. Internal control to prevent and detect fraud.

3. We have provided you with:

a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters.

b. Additional information that you have requested from us for the purpose of the audit.

c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

d. All minutes of governing body meetings held through the date of this letter or summaries of actions of recent meetings for which minutes have not yet been prepared. All unsigned copies of minutes provided to you are copies of our original minutes approved by the governing body, if applicable, and maintained as part of our records.

e. All significant contracts and grants.

4. We have responded fully and truthfully to all your inquiries.

Misappropriation, Misstatements, & Fraud

5. We have informed you of all current risks of a material amount that are not adequately prevented or detected by our procedures with respect to:

   a. Misappropriation of assets.

   b. Misrepresented or misstated assets, deferred outflows of resources, liabilities, deferred inflows of resources, or net position.

6. We have no knowledge of fraud or suspected fraud affecting the entity involving:

   a. Management or employees who have significant roles in internal control over financial reporting, or

   b. Others when the fraud could have a material effect on the financial statements.

7. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, customers, regulators, citizens, suppliers, or others.

8. We have assessed the risk that the financial statements may be materially misstated as a result of fraud and disclosed to you any such risk identified.

Related Parties

9. We have disclosed to you the identity of all of the entity’s related parties and all the related-party relationships of which we are aware.

   In addition, we have disclosed to you all related-party transactions and amounts receivable from or payable to related parties of which we are aware, including any modifications during the year that were made to related-party transaction agreements which existed prior to the beginning of the year under audit, as well as new related-party transaction agreements that were executed during the year under audit.

   Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

10. We understand that the term related party refers to:

    - Affiliates
    - Board members and members of their immediate families
    - Management and members of their immediate families
    - Any other party with which the entity may deal if one party can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests.

    Another party is also a related party if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

    The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with, the entity.

Litigation, Laws, Rulings & Regulations

11. We are not aware of any pending or threatened litigation or claims whose effects should be considered when preparing the financial statements. We have not sought or received attorney's services related to pending or threatened litigation or claims during or subsequent to the audit period. Also, we are not aware of any litigation or claims, pending or threatened, for which legal counsel should be sought.
12. We have no knowledge of communications from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.
13. We have disclosed to you all known instances of violations or noncompliance or possible violations or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements or as a basis for recording a loss contingency.
14. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.

Nonattest Services

15. You have provided nonattest services, including the following, during the period of this engagement:

    - Assistance with the printing and binding of the financial statements

16. With respect to these services:

    a. We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.

    b. We have established and monitored the performance of the nonattest services to ensure they meet our objectives.

c. We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.

d. We have evaluated the adequacy of the services performed and any findings that resulted.

e. We have established and maintained internal controls, including monitoring ongoing activities.

f. When we receive final deliverables from you, we will store those deliverables in information systems controlled by us. We have taken responsibility for maintaining internal control over these deliverables.

Financial Statements & Reports

17. We do not issue an annual report, nor do we have plans to issue an annual report at this time.

Transactions, Records, & Adjustments

18. All transactions have been recorded in the accounting records and are reflected in the financial statements.

19. We have everything we need to keep our books and records.

20. We have disclosed any significant unusual transactions the entity has entered into during the period, including the nature, terms, and business purpose of those transactions.

Governmental Accounting & Disclosure Matters

21. With regard to deposit and investment activities:

    a. All deposit and investment transactions have been made in accordance with legal and contractual requirements.

    b. Disclosures of deposit and investment balances and risks in the financial statements are consistent with our understanding of the applicable laws regarding enforceability of any pledges of collateral.

    c. We understand that your audit does not represent an opinion regarding the enforceability of any collateral pledges.

22. The financial statements include all component units, appropriately present majority equity interests in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.

23. We have identified and evaluated all potential fiduciary activities. The financial statements include all fiduciary activities required by GASB Statement No. 84, *Fiduciary Activities*, as amended.

24. Components of net position (net investment in capital assets, restricted, and unrestricted) are properly classified and, if applicable, approved.

25. Capital assets, including infrastructure, are properly capitalized, reported, and, if applicable, depreciated or amortized.

26. We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

27. The entity has properly separated information in debt disclosures related to direct borrowings and direct placements of debt from other debt and disclosed any unused lines of credit, collateral pledged to secure debt, terms in debt agreements related to significant default or termination events with finance-related consequences, and significant subjective acceleration clauses in accordance with GASB Statement No. 88.

28. The supplementary information required by the Governmental Accounting Standards Board, consisting of management's discussion and analysis, has been prepared and is measured and presented in conformity with the applicable GASB pronouncements, and we acknowledge our responsibility for the information. The information contained therein is based on all facts, decisions, and conditions currently known to us and is measured using the same methods and assumptions as were used in the preparation of the financial statements. We believe the significant assumptions underlying the measurement and/or presentation of the information are reasonable and appropriate. There has been no change from the preceding period in the methods of measurement and presentation.

Accounting & Disclosure

29. All transactions entered into by the entity are final. We are not aware of any unrecorded transactions, side agreements or other arrangements (either written or oral) that are in place.

30. Except as reflected in the financial statements, there are no:

    a. Plans or intentions that may materially affect carrying values or classifications of assets, deferred outflows of resources, liabilities, deferred inflows of resources, or net position.

    b. Material transactions omitted or improperly recorded in the financial records.

    c. Material unasserted claims or assessments that are probable of assertion or other gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.

    d. Events occurring subsequent to the statement of net position date through the date of this letter, which is the date the financial statements were available to be issued, requiring adjustment or disclosure in the financial statements.

    e. Agreements to purchase assets previously sold.

    f. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, lines of credit, or similar arrangements.

    g. Guarantees, whether written or oral, under which the entity is contingently liable.

    h. Known or anticipated asset retirement obligations.

31. Except as disclosed in the financial statements, the entity has:

    a. Satisfactory title to all recorded assets, and those assets are not subject to any liens, pledges, or other encumbrances.

b. Complied with all aspects of contractual and grant agreements, for which noncompliance would materially affect the financial statements.

Revenue, Accounts Receivable, & Inventory

32. Adequate provisions and allowances have been accrued for any material losses from:

    a. Uncollectible receivables.

    b. Excess or obsolete inventories.

    c. Sales commitments, including those unable to be fulfilled.

    d. Purchase commitments in excess of normal requirements or at prices in excess of prevailing market prices.

Estimates

33. We have identified all accounting estimates that could be material to the financial statements and we confirm the appropriateness of the methods and the consistency in their application, the accuracy and completeness of data, and the reasonableness of significant assumptions used by us in making the accounting estimates, including those measured at fair value reported in the financial statements.

34. Significant estimates that may be subject to a material change in the near term have been properly disclosed in the financial statements. We understand that "near term" means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations, which refer to a lack of diversity related to employers, industries, inflows of resources, workforce covered by collective bargaining agreements, providers of financial resources, or suppliers of material, labor or services, loans, investments, or deposits, or constraints, which refer to a limitation imposed by an external party or by formal action of a government's highest level of decision-making authority related to limitations on raising revenue, limitations on spending, limitations on the incurrence of debt, or mandated spending, existing at the date of the financial statements that would make the entity vulnerable to the risk of severe impact in the near term that have not been properly disclosed in the financial statements.

Fair Value

35. With respect to the fair value measurements of financial and nonfinancial assets and liabilities, if any, recognized in the financial statements or disclosed in the notes thereto:

    a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated course of action.

    b. The measurement methods and significant assumptions used in determining fair value are appropriate in the circumstances for financial statement measurement and disclosure purposes and have been consistently applied.

    c. The significant assumptions appropriately reflect market participant assumptions.

    d. The disclosures related to fair values are complete, adequate, and in conformity with accounting principles generally accepted in the United States of America.

e. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

Tax-Exempt Bonds

36. Tax-exempt bonds issued have retained their tax-exempt status.

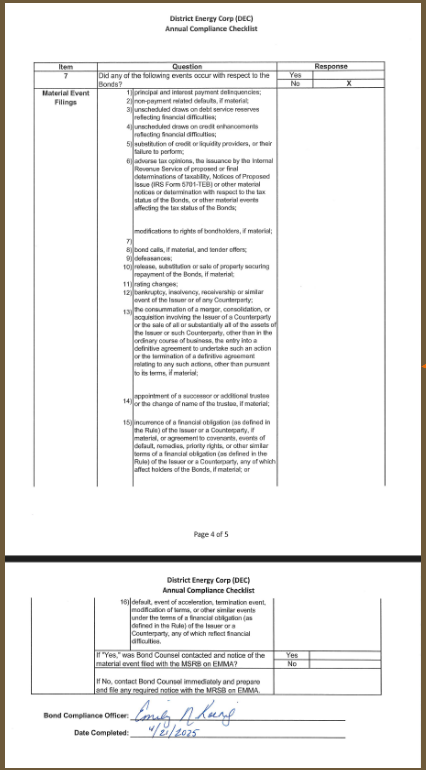
37. We have notified you of any instances of noncompliance with applicable disclosure requirements of the SEC Rule 15c2-12 and applicable state laws.

Signed by:
Emily N. Koenig
61EBFA93920447D...
____
Emily Koenig, Vice President & Chief Financial Officer - Lincoln Electric System
ekoening@les.com

Signed by:
Nicholas L. Wolf
4732DF5508D6453...
____
Nick Wolf, Financial Accounting Manager - Lincoln Electric System
nwolf@les.com

TAB VII

Annual Tax-Exempt Compliance Update



District Energy Corp (DEC)
Annual Compliance Checklist

Item	Question		Response	
7	Did any of the following events occur with respect to the Bonds?		Yes	
			No	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 of 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		

Page 4 of 5

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 MRSB on EMMA.			

Bond Compliance Officer: ____________

Date Completed: 4/21/2025

- The DEC Board first adopted tax-exempt compliance procedures in 2012
  - The las 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)