Board Packet for the

April 16, 2024

District Energy Corporation

Board Meeting

TAB I

NOTICE OF MEETING AND AGENDA
DISTRICT ENERGY CORPORATION
BOARD OF DIRECTORS

Lincoln Electric System Operations Center (LOC)
9445 Rokeby Road / Lincoln, NE
April 16, 2024 12:00 pm

Notice of meeting was published in the Lincoln Journal Star newspaper on April 9, 2024.

I. CALL TO ORDER, OPEN MEETING ADVISEMENT, ROLL CALL – **Vice Chair Carl Eskridge** (12:00)

II. SAFETY BRIEFING – **Jason Fortik** (12:02)

III. APPROVAL OF JANUARY 23, 2024 MEETING MINUTES* – **Carl Eskridge** (12:05) **Motion**
IV. APPROVAL OF FEBRUARY 22, 2024 MEETING MINUTES* – **Carl Eskridge** (12:07) **Motion**

V. MANAGEMENT REPORT – **Nick Wischhof** (12:10)

A. Fuels & Operations Update
B. Update of Construction Projects
C. Potential New Customer Connections Update
D. Decarbonization Update
E. Motion to Accept Management Report* **Motion**

VI. FINANCIAL REPORT – **Emily Koenig** (12:25)

A. Current Financial Report
B. Motion to Accept Financial Report **Motion**
C. Consider Accepting the 2023 Audit Report* **Motion**
D. Tax-Exempt Financing Compliance Update

VII. MISCELLANEOUS/BUSINESS/ASSIGNMENTS (12:40)

A. Legislative Session Update – **David Levy**
B. Consider authorizing board member and staff attendance at the International District Energy Association's Annual Conference in Orlando FL, June 17-20, 2024* **– Jason Fortik** **Motion**
C. New Business

VIII. FUTURE MEETING DATES AND DISCUSSION (12:55)

July 16, 2024
October 15, 2024
January 28, 2025

IX. ADJOURNMENT (1:00pm)

*Denotes Action Item

The meeting will start at 12:00 p.m. However, the times listed next to each item are tentative and subject to change dependent on the pace of the meeting.

TAB II

MINUTES OF DISTRICT ENERGY CORPORATION BOARD

Minutes of the meeting of the District Energy Corporation (DEC), January 23, 2024, held at the Lincoln Electric System Operations Center, 9445 Rokeby Road, Lincoln, Nebraska. Notice of the meeting was published in the Lincoln Journal Star newspaper on January 16, 2024.

Board Members Present:	Kim Morrow, Carl Eskridge, Sean Flowerday, Bennie Shobe (12:11pm)
Board Members Absent:	Rick Vest
Others Present:	David Levy, Jason Fortik, Emily Koenig, Nick Wischhof, Larry Balm, Dianne Dobrusky, Keith Snyder, Nichi Richardson, Bryan Willnerd, Denise Parrott, Lisa Hale

Call to Order

Chair Sean Flowerday called the meeting to order at 12:05pm. 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.

Approval of Prior Minutes for 10/17/23

Chair Flowerday asked for approval of the October 17, 2023 meeting minutes. Eskridge made the motion and Morrow seconded. The vote to approve was:
Aye: Flowerday, Morrow, Eskridge
Nay: None / Absent: Vest, Shobe

Reappointments

Jason Fortik presented information about the board seats that expired at the end of 2023 – Sean Flowerday's and Kim Morrow's. A letter was received from the Lancaster County Board of Commissioners stating that Sean Flowerday was reappointed for the 2024-2025 term. When the City Council first appointed Kim Morrow they approved her term for two years, ending on 11/21/24, rather than fulfilling the remainder of Miki Esposito's term, which expired 12/31/2023. The DEC received confirmation from the City that their intentions are for Kim to serve through the end of 2025. The DEC will work with the City to affect an official action reflecting the term ending

12/31/2025 so that it reflects the terms required by the DEC bylaws.

Election of Officers

David Levy, DEC General Counsel, conducted the election of Chair for 2024. Eskridge moved to nominate Sean Flowerday as Chair. Morrow seconded the motion. The vote to approve Sean Flowerday as Chair was:
Aye: Flowerday, Morrow, Eskridge
Nay: None / Absent: Vest, Shobe

David Levy conducted the election of Vice Chair for 2024. Morrow moved to nominate Carl Eskridge as Vice Chair. Flowerday seconded the motion. The vote to approve Carl Eskridge as Vice Chair was:
Aye: Flowerday, Morrow, Eskridge
Nay: None / Absent: Vest, Shobe

David Levy conducted the election of Secretary for 2024. Eskridge moved to nominate Kim Morrow as Secretary. Flowerday seconded the motion. The vote to approve Kim Morrow as Secretary was:
Aye: Flowerday, Morrow, Eskridge
Nay: None / Absent: Vest, Shobe

Management Report

Nick Wischhof, LES Manager, Projects Engineering, presented.

- **Operations Update**

Wischhof reviewed the details of several service interruptions for the period – both planned and unplanned. Those included:

- Planned NSP outages for customer steam/condensate leak repairs.
- County City boiler tube failure – no outages.
- County-City hot water outage – approx. 1 hour

- **Natural Gas**

Wischhof presented information and graphs showing natural gas prices and quantities compared to budget for both 2023 and 2024.

- **Capital Projects**

The update on capital projects included:

- Central cyber security system – expected to be in place during quarter two of this year.
- CADF geothermal loop cooler – equipment out for bid with installation expected in late 2024 or early 2025.
- CADF backup circulating water pumps – equipment has been purchased with installation work anticipated at the end of summer or early fall 2024.
- County City water service upgrade – project is complete.
- LOC geothermal loop heating system – components have been ordered and will be installed in 2024.

- Central safety and security improvements – these include additional card readers, lighting upgrades, and refrigerant monitoring.
- WHM electric boilers – boilers are ordered with installation expected in late 2024.
- CADF multistack upgrades – the components will be purchased soon and installation will take place throughout the year.
- WHM on-line condenser cleaning system for chillers – this project has been delayed due to other significant work at the WHM.

- **Outage Metrics**

Wischhof presented details showing customer outage metric data, including both planned and unplanned outages. This information was for the 2023 calendar year and separated by plant and delivery point.

- **Expansion Potential**

Potential new development opportunities for DEC were presented. These include: new convention center, multimodal center, supportive housing, K Street redevelopment, and WHM Block 5 development.

Motion to Accept Management Report

Flowerday called for a motion to accept the Management Report. Motion was made by Eskridge and seconded by Morrow. The vote to approve was:
Aye: Flowerday, Morrow, Eskridge, Shobe
Nay: None / Absent: Vest

Financial Report

Emily Koenig, LES VP Financial Services and CFO, and DEC CFO, presented the 4th Quarter 2023 Financial Report.

Koenig noted that these are preliminary financial reports, prior to being audited, and that the audit report should be ready by early April.

- **Sales, Revenue, and Expenses**

Year-end sales were just 1% under budget. This is due primarily to lower consumption for WHM and CADF. There are underlying variances due primarily to heating degree days being below average and cooling degree days being above average. Year-end revenue variation from budget was + 0.4%, as most revenue is of a fixed nature. Year-end expenses were 2% under budget, primarily due to higher investment income offsetting increased expenses.

- **Debt Service and Capital Exp**

Year-end debt service coverage was favorable to budget due primarily to higher investment income. And year-end capital expenses were lower than budget due to project delays, these include CADF, WHM and LOC projects. There may be some additional year end accruals added, but no significant changes are expected.

Semi-Annual Investment Report

Bryan Willnerd, LES Manager – Treasury & Risk Management, presented the Semi-Annual Investment Report for the quarter ending 12/31/23.

- **Investment Portfolio And Yield Rates**

The investment portfolio that LES manages for DEC is just over $9.1 million – with most funds in the Bond Reserve, Bond P & I, and Operating funds. The remainder is in Rate Stabilization. The prior year, 2022, showed significant increases in market yields, but that tapered down and leveled off in 2023. Interest income was significantly over budget, due to conservative budgeting and forecasting.

- **Benchmarks and Metrics**

Willnerd presented information showing that the DEC fund performance has been closing the gap on benchmark yields. The benchmark being used is the Bank of America Merrill Lynch index. The investment objectives of safety, liquidity, and return on investment have all been met. On the portfolio allocation limits, DEC was slightly over the money market limit due to bond interest payments to bondholders on January 1.

- **Resolution 24-01**

Willnerd detailed the proposed changes in the DEC investment Policy. The LES investment policy was recently updated, and the DEC policy would now follow that fairly closely. Some responsibilities were shifted to different areas within Financial Services and some language was updated and clarified.

Motion to Approve Resolution 24-01

Motion to accept Resolution 24-01 was made by Flowerday and seconded by Morrow. The vote to approve was:
Aye: Flowerday, Morrow, Eskridge, Shobe
Nay: None / Absent: Vest

Motion to Approve Financial Report

Motion to approve the Financial Report was made by Eskridge and seconded by Flowerday. The vote to approve was:
Aye: Flowerday, Morrow, Eskridge, Shobe
Nay: None / Absent: Vest

IDEA conference

Jason Fortik presented information regarding the 2024 IDEA conference being held in Orlando, FL on June 17-20. DEC has typically had several board members and staff attend. More information will be shared as it becomes available.

Legislative Updates

David Levy discussed the current legislative bills that may have an impact to DEC. The three bills that Levy gave detailed information regarding are; LB #951, #1342, and #1366. LB #951 has some implications relating to the Open Meetings Act that could impact other boards that members may serve on. LB #1342 would exempt the sale and purchase of natural gas for residential use from state sales and use tax. LB #1366 proposes some additional steps for any political subdivision exercising the power of eminent domain.

Open Discussion

Kim Morrow, board member, introduced the topic of DEC potentially adopting a decarbonization goal, and the possibility of a committee or special meeting to explore it further. In further discussions it was decided to hold a special meeting to discuss this topic, as well as the possibility of having more frequent meetings, and other expansion opportunities. The date selected is February 22nd at 12pm. Staff will work to determine a location and organize the meeting.

Adjournment

Flowerday called for a motion to adjourn. Motion was made by Eskridge and seconded by Morrow. The vote to approve was:
Aye: Flowerday, Morrow, Eskridge, Shobe
Nay: None / Absent: Vest

There being no further business to come before the Board, Chairman Flowerday declared the meeting adjourned at 1:02 p.m.

Sean Flowerday, Board Chair

By: Dianne Dobrusky
Dianne Dobrusky, Assistant Secretary

TAB III

MINUTES OF DISTRICT ENERGY CORPORATION BOARD

Minutes of the meeting of the District Energy Corporation (DEC), February 22, 2024, held at the Lincoln Electric System conference room, 411 S 13th Str, Suite 320, Lincoln, Nebraska. Notice of the meeting was published in the Lincoln Journal Star newspaper on February 15, 2024.

Board Members Present:	Kim Morrow, Carl Eskridge, Rick Vest (12:15), Bennie Shobe (12:35)
Board Members Absent:	Sean Flowerday
Others Present:	David Levy (on-line), Jason Fortik, Wade Leibbrandt, Nick Wischhof, Dianne Dobrusky, Keith Snyder, Denise Parrott, Lisa Hale, Peter Hind, Kerin Petersen

Call to Order

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

Safety Briefing

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

Decarbonization Goal Discussion
Verdis Group Report

Director Kim Morrow started the discussion by presenting the climate action plan of the City of Lincoln and the Verdis Group report. This plan details a goal to reduce greenhouse gas emissions by 80% by 2050. As part of an EPA grant program the City of Lincoln received funding to update their climate action plan.

Morrow provided information showing the steps taken for community engagement and a graph showing current GHG emissions, by category, for the City of Lincoln. The areas of focus selected by the city include: Energy, Transportation, Waste, and Natural Solutions. Morrow gave details about each focus area and listed action items to consider for each category.

Morrow then presented information from Verdis Group consultants about decarbonizing the DEC system. The results show that decarbonizing the DEC plants would not have a large impact on total emissions from the City of Lincoln. It would only reduce emissions for 2030 by 0.08%. and emissions for

2050 by 0.3%. One of the factors for that is that DEC operates two geothermal plants already.

DEC Equipment Overview

Nick Wischhof, LES Manager, Projects Engineering, presented information detailing the current DEC plants and equipment. This included installation dates and life expectancy of the equipment. The County Adult Detention Facility and the LES Operations Center are 100% geothermal plants. The State facility is a boiler plant and provides heat only. The Nebraska State Penitentiary is 75% heat dominant, and there is uncertainty regarding the long-term future use of the site. The County/City is also heat dominant, and currently offsets electrical peak with thermal ice storage. The West Haymarket is 59% cooling dominant and is in the process of adding additional backup electric boilers. Wischhof presented information and estimates for possible emissions reduction options, particular to each plant.

Equipment Discussion

Morrow asked for further information and analysis about replacing equipment as it ages out, especially regarding replacing gas boilers with electric boilers. Wischhof pointed out that it is currently not cost effective, due to the expense of setting new peak electric usage levels and the associated demand costs. Eskridge asked about geothermal plants and the space/acres needed for those systems. There was discussion about potential new technologies on the horizon and possible opportunities for district energy.

LES Decarbonization Goal and Process Review

Jason Fortik reviewed the process and timeline of LES's decarbonization goal setting. Fortik gave details about each step in the process, highlighting parts that may be applicable to DEC. Points for consideration include; the role of public governing boards, customer inputs, public feedback, available technologies, customer rate impacts, and administrative time.

Decarbonization Goal Discussion

Morrow reiterated interest in getting more information about replacing systems as they age out – and doing peer comparisons with other district energy systems.

Customer Expansion Discussion

Jason Fortik discussed how staff is closely monitoring developments for the new convention center and reviewing RFPs that have been issued to-date. The potential for district energy will be largely location driven, considering proximity to existing plants. David Levy, legal counsel, and Peter Hind, Director of Urban Development, gave more information about how TIF funding works and could become available. Levy also spoke about the potential need to restructure an Energy Service Agreement to serve private customers, if needed.

Peter Hind provided further information about the potential for district energy with a new supportive housing project. The RFP included a requirement about evaluating the cost of district energy. There was further discussion among the group about the importance of sharing total life-cycle cost information with developers, and methods to make that information more accessible to them.

Adjournment

There being no further business to come before the Board, Vice Chair Eskridge stated the next meeting date is April 16th, at the LOC, and then declared this meeting adjourned at 1:30 p.m.

Carl Eskridge, Board Vice Chair

By: Dianne Dobrusky

Dianne Dobrusky, Assistant Secretary

TAB IV

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"

DEC ENERGY

Management Report

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

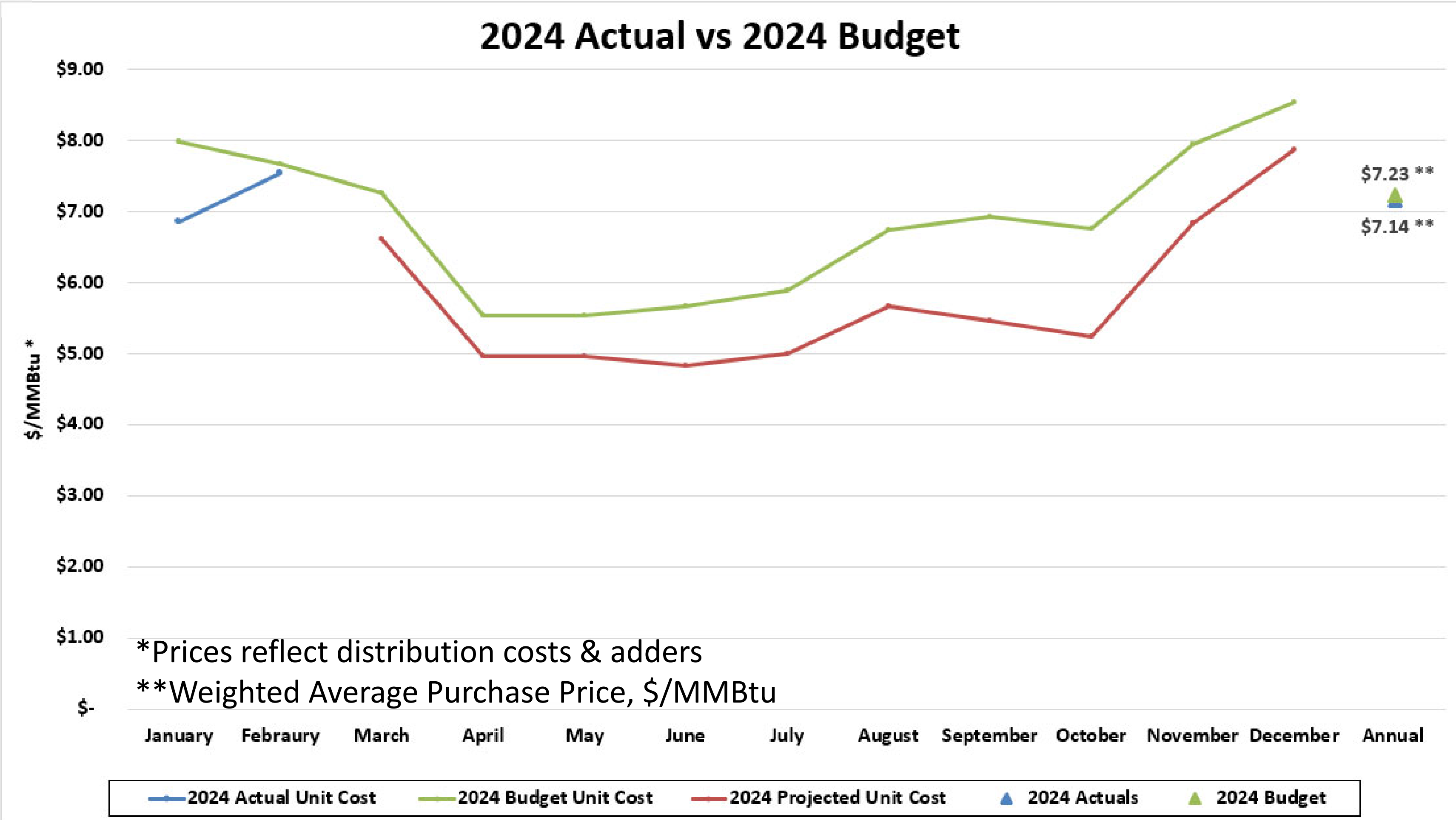
Board of Directors Meeting
April 16, 2024

Fuels and Operations Update: April 2024

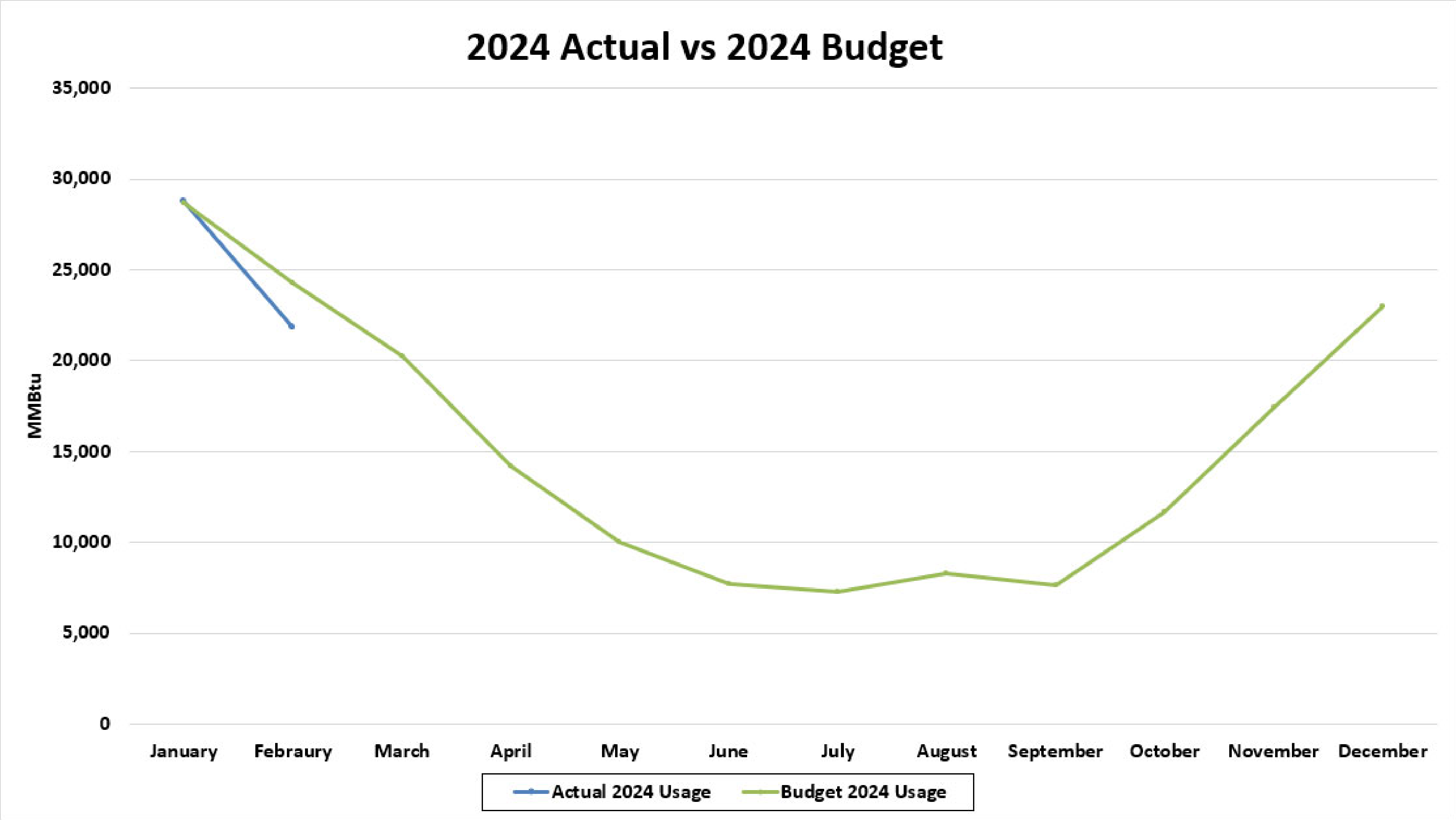
Operations Update & Service Interruptions

- Planned outages to the Penitentiary (NSP) for customer steam/condensate leak repairs
  - Currently still on full makeup (increased water usage)
- Unplanned outage (<1 hour) to the County City (CC) and State Boiler Plant (SBP) due to power outage
- Planned outage to LOC for LES fire water pump installation

Fuel Unit Costs



Fuel Quantities



2024 Fuel Costs

	Jan-Feb	Q2	Q 3	Q 4	2024
Total Consumption (mmBTU)	50,529	-	-	-	50,529
Total Cost ($)	$ 360,987	$ -	$ -	$ -	$ 360,987
Average Unit Cost ($/mmBTU)	7.14				7.14

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.	$53k	2024-Q2
CADF Geothermal Loop Cooler	This project will install an air to fluid cooling system to address the geothermal loop temperature increases that effect efficiency of the heat pumps. The system would be operated during the colder winter months to maximize system performance.	$510k	Fluid cooler purchased. Finalizing bid documents for mechanical installation in 2024/2025.
CADF Backup Circ. Water Pumps	This project will install redundant circulating water pumps for the geothermal system's three water loops: wellfield, hot and cold water. This will improve plant reliability and resiliency.	$254k	Pumps & VFDs purchased. Out for bid for mechanical installation.
LOC Geothermal Loop Heating System	This project is for the design and installation of a system to increase the loop temperature at the LOC. The LES facility is heavily heating dominated, and this results in the temperature of the geothermal system going down. Low geothermal loop temperatures reduce the efficiency of the heat pumps during cold weather.	$204k	Components received. Finalizing design for mechanical installation during summer.

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

Capital Projects Update

Project	Description	Budget *	Status
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.	$110k	Updating vendor proposals.
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.	$510k	Boilers purchased. Getting installation estimates for install in 2024.
CADF Multistack Upgrades	This project will upgrade the reversing valves on the Multistack geothermal heat pumps to improve system reliability. This project will also upgrade the obsolete controllers on the Multistacks.	$229.5k	Updating vendor proposal.
NSP Control Room Heat Pump	This project will install supplemental cooling in the NSP plant control room to provide cooling when the chillers are offline.	$51k	Project is complete.

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

Capital Projects Life-To-Date (LTD) vs. Budget

Project* ($ in Thousands)	**LTD as of 3/31/24**	**Project Budget**	**Remaining**
DEC Central Cyber Security System	$ -	$ 53	$ 53
DEC Physical Security and Safety	$ 30	$ 110	$ 80
C/C Water Service Upgrade	$ 27	$ 51	$ 24
State DA Controls & Surge	$ 258	$ 272	$ 14
CADF Loop Field Fluid Cooler	$ 61	$ 510	$ 449
CADF Backup Circuit Pumps for Each Loop	$ 6	$ 254	$ 248
CADF Multistack Upgrade	$ -	$ 230	$ 230
WHM Boiler Addition	$ 53	$ 510	$ 457
LOC Loop Field Resistance Heater	$ 34	$ 204	$ 170
NSP Hydronic Cooler	$ 28	$ 51	$ 23
Total	**$ 497**	**$ 2,245**	**$ 1,748**

*** Only active projects listed**

Capital Projects Current Forecast vs. Budget

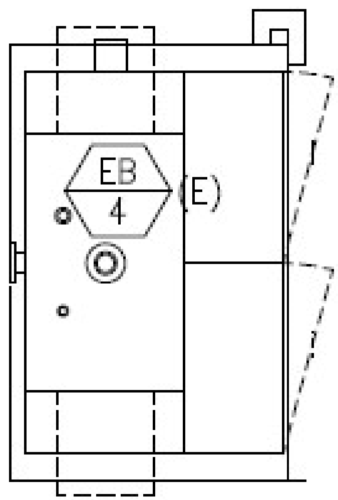
Project* ($ in Thousands)	Project Forecast	Project Budget**	Over/(Under) Budget
DEC Central Cyber Security System	$ 53	$ 53	$ -
DEC Physical Security and Safety	$ 110	$ 110	$ -
C/C Water Service Upgrade	$ 37	$ 51	$ (14)
State DA Controls & Surge	$ 271	$ 272	$ (1)
CADF Loop Field Fluid Cooler	$ 505	$ 444	$ 61
CADF Backup Circuit Pumps for Each Loop	$ 320	$ 320	$ -
CADF Multistack Upgrade	$ 230	$ 230	$ -
WHM Boiler Addition	$ 710	$ 510	$ 200
LOC Loop Field Resistance Heater	$ 118	$ 204	$ (86)
NSP Hydronic Cooler	$ 45	$ 51	$ (6)
Total	**$ 2,399**	**$ 2,245**	**$ 154**

*** Only active projects listed**

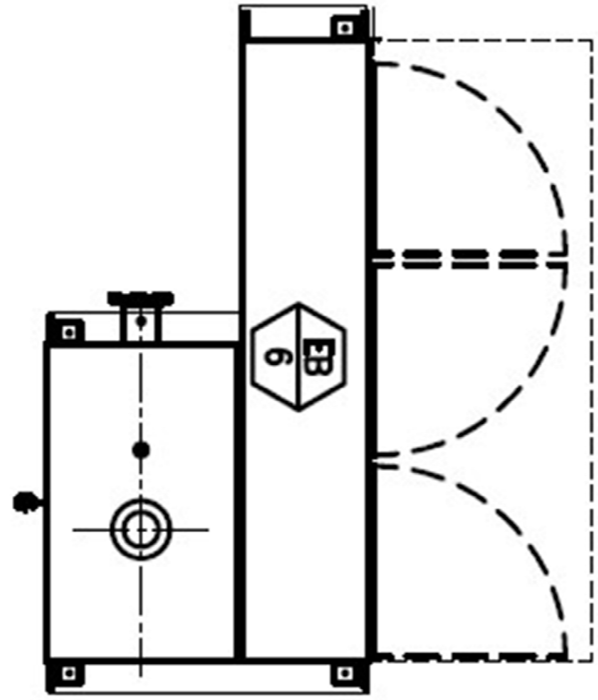
**** Project Budget includes $75K transfer from CADF Loop Field Fluid Cooler to CADF Backup Circuit Pumps**

WHM Electric Boilers

Top View of
Existing
Electric Boilers



Top View of
New Electric Boilers



Potential New Customer Connections / Discussions

DEC Expansion

- Convention Center
  - Provided cost estimates to potential developer
- Supportive Housing (CC)
  - Submitted updated cost estimates to developer

IDEA Decarbonization Strategies

- Electrification
  - Heat Pumps, Resistive Heating, Electrode Boilers (steam)
- Optimization & Energy Efficiency
  - Thermal Storage
  - Heat Recovery (heat recovery chillers, economizers, free cooling, etc.)
  - Combined Heat and Power (CHP)
  - Convert Steam to Hot Water (impacts customer operations)
  - Reduce service water temperatures (impacts customer)
  - Delta T Improvements (customer)
  - Customer Building Improvements (insulation, controls, etc.)
- Emerging Fuels & Technologies
  - Hydrogen, Small Modular Nuclear (SMR), Renewable Fuel Oil, Carbon Sequestration

Decarbonization Goals

- Majority of district energies that have adopted a decarbonization goal targeting carbon neutral by 2050

  - District Energy ST. PAUL:

    > • The company goal is to become carbon neutral by 2050.

  - Vicinity:

    > In this way, the electrification of district energy systems is a game changer for the climate, our communities, and our collective future. Such a game changer, in fact, that electrification is the backbone of Vicinity Energy's commitment to reach net zero carbon emissions across all its operations by 2050.

  - CenTrio Energy:

    > **Decarbonizing CenTrio**
    >
    > Our comprehensive Sustainable Infrastructure Plan will be deployed throughout the next year across our entire portfolio in the U.S. The focus of this plan is to decarbonize all generation and distribution systems by 2050.

Decarbonization Goals

- Yale: Harnessing technology that is available today, the university is undertaking energy and building projects that will transform the built environment at Yale—in ways seen and unseen—and provide a roadmap for reaching its goal of reducing campus emissions to zero no later than 2050.
- UC Davis: These projects position UC Davis well to meet the University of California's new decarbonization goals: Eliminate 90% of its carbon emissions, compared to 2019 levels, by 2045. The UC goals, adopted this summer, prioritize direct reduction of greenhouse gas emissions and limit the use of carbon offsets. They also line up with California's goals to achieve carbon neutrality, also by 2045.
- Brown University: **PROVIDENCE, R.I.** [Brown University] — As part of its pledge to reduce campus greenhouse gas emissions to net-zero by 2040, Brown University is exploring the feasibility of using geothermal energy as the primary source of heat for its buildings in Providence's College Hill and Jewelry District neighborhoods.

Decarbonization Goals

- MIT:

  ## Decarbonizing the MIT Campus

  With the release of Fast Forward: MIT's Climate Action Plan for the Decade, the Institute set a goal to eliminate direct campus emissions by 2050—along with several other campus commitments. Elimination of MIT's direct emissions by 2050 means that no greenhouse gases will be released by use of MIT campus buildings and owned vehicles.

- John Hopkins University:
  - Achieving net zero carbon emissions for Scope 1 and Scope 2 emissions by 2040

- U of Colorado:

  In support of that vision, this Energy Master Plan lays out the implementation roadmap for a clean-energy future on our campus. Notably, the plan includes a 30 percent reduction in energy use intensity in our buildings by 2035, as well as a shift to 100 percent clean energy use on campus by 2050. These are aspirational goals, and executing the plan will not be easy. However, we must be aspirational if we're to ultimately address the challenges of climate change.

- California State University (CSU):

  CSU adopted the goal of carbon neutrality by 2045 in alignment with existing campus plans and statewide goals.

DEC Decarbonization Evaluation

- Evaluate replacing equipment at the <u>smallest</u> and <u>largest</u> facilities as equipment reaches end of life to promote decarbonization.

Facility	Cooling Energy (mmBTU)	Cooling Peak (mmBTU/hr)	Heating Energy (mmBTU)	Heating Peak (mmBTU/hr)
LOC**	6,736	4	8,415	5
CADF**	15,523	10	15,696	9
CC	*21,351	10	28,443	15
SBP	N/A	N/A	*17,285	16
NSP***	*18,987	10	58,024	25
WHM	47,499	30	29,455	25

*Seasonal service
**Exclude since already geothermal heat pumps
***Exclude due to uncertainty

1991 - County / City Thermal Facility

Installed Equipment	Qty.	Year Installed	Life Expectancy
York Chiller	1	2007	30+
Trane Chiller	3	2015	25+
Evapco Cooling Tower	3	2014	30+
BAC Ice Tank	3	1991	40+
Calmac Ice Bank	4	2022	50+
Aerco NG Boiler	4	2016	30+
Unilux NG/FO Boiler	2	2020	20
Emergency FO Generator	1	2016	30+

Equipment Options:

- Currently offset electrical peak with thermal ice storage
- Electric Boiler – equipment / electrical *(~$3.9M)
- Air Source Heat Pump – equipment / electrical *(~$5.7M)
- Geothermal – land / equipment / electrical *(~$9M)
- DEC CC is heating dominant (58%)

*Class 5 estimate -25%/+50%

2013 – West Haymarket Plant

Installed Equipment	Qty.	Year Installed	Life Expectancy
York Chiller	4	2013	30+
Evapco Cooling Tower	4	2013	30+
Aerco NG Boiler	12	2013	30+
Electric Boiler	4/2	2013/2024	30+
Emergency FO Generator	1	2013	30+

Equipment Options:

- Electric Boiler – equipment / electrical *(~$2.3M)
- Air Source Heat Pump – equipment / electrical *(~$6.7M)
- Geothermal – land / equipment / electrical *(~$12.6M)
- DEC WHM is cooling dominant (59%)

*Class 5 estimate -25%/+50%

Comments/Questions

*Seek a motion to accept the management report.

TAB V

Financial Report

1st Quarter 2024

Vision

"Striving for Energy Excellence"

Mission

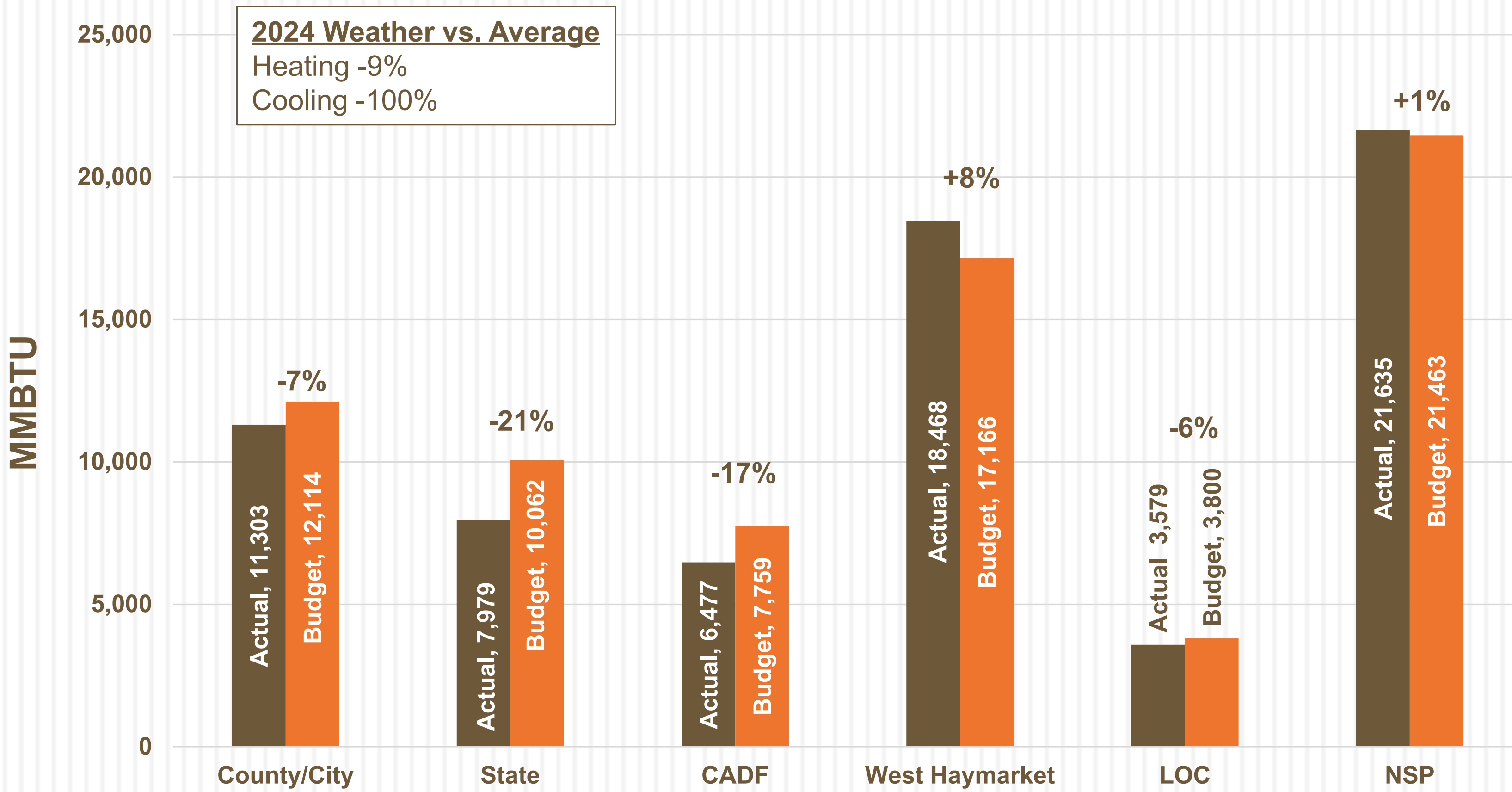
"Provide low-cost, reliable and efficient thermal energy services to enhance and enable economic development of the Lincoln community"

Board of Directors Meeting
April 16, 2024

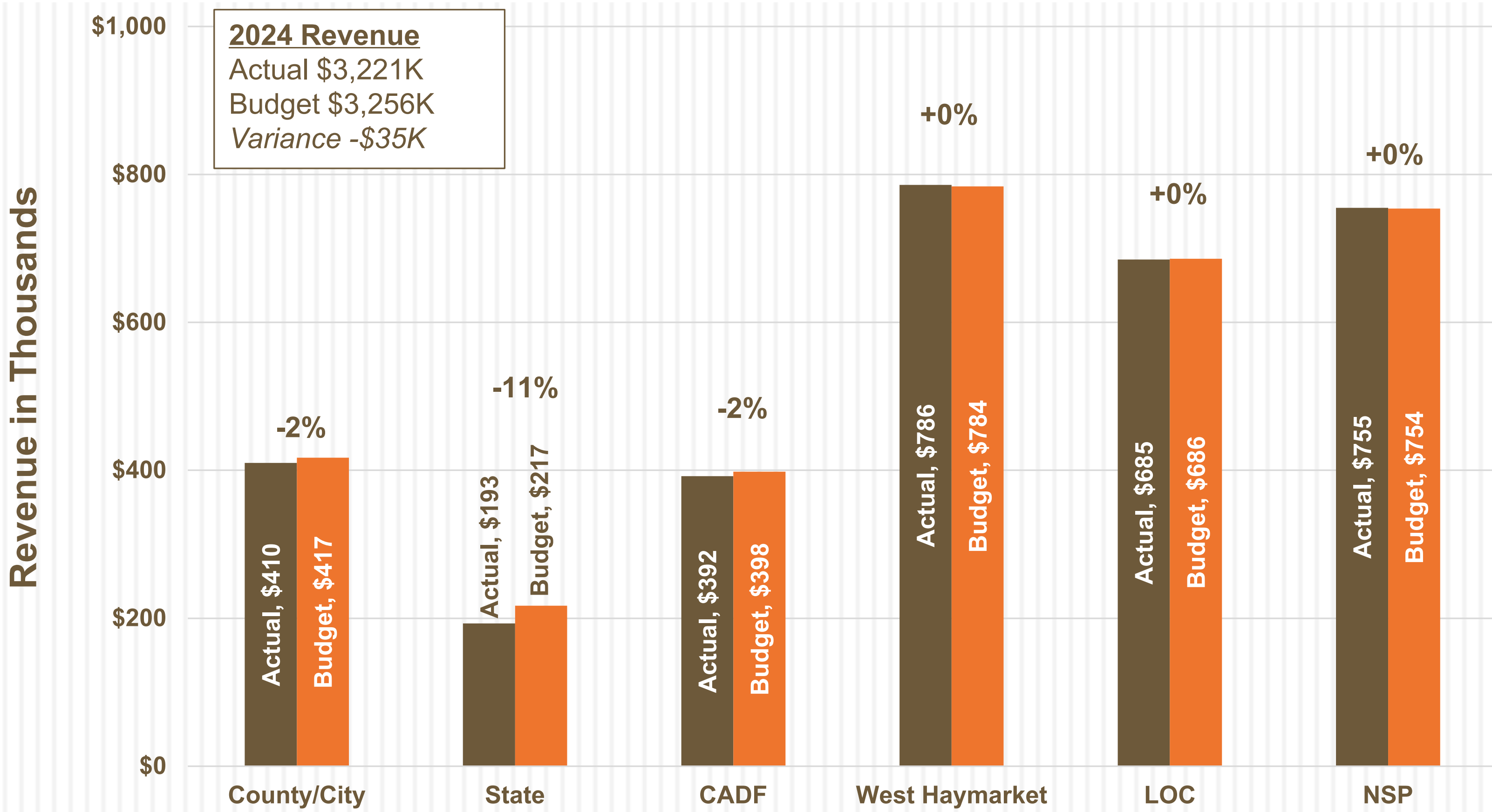
Financial performance slightly lagged budget due to higher operations and maintenance expenses.

Emily N. Koenig
LES Vice President & CFO; DEC CFO

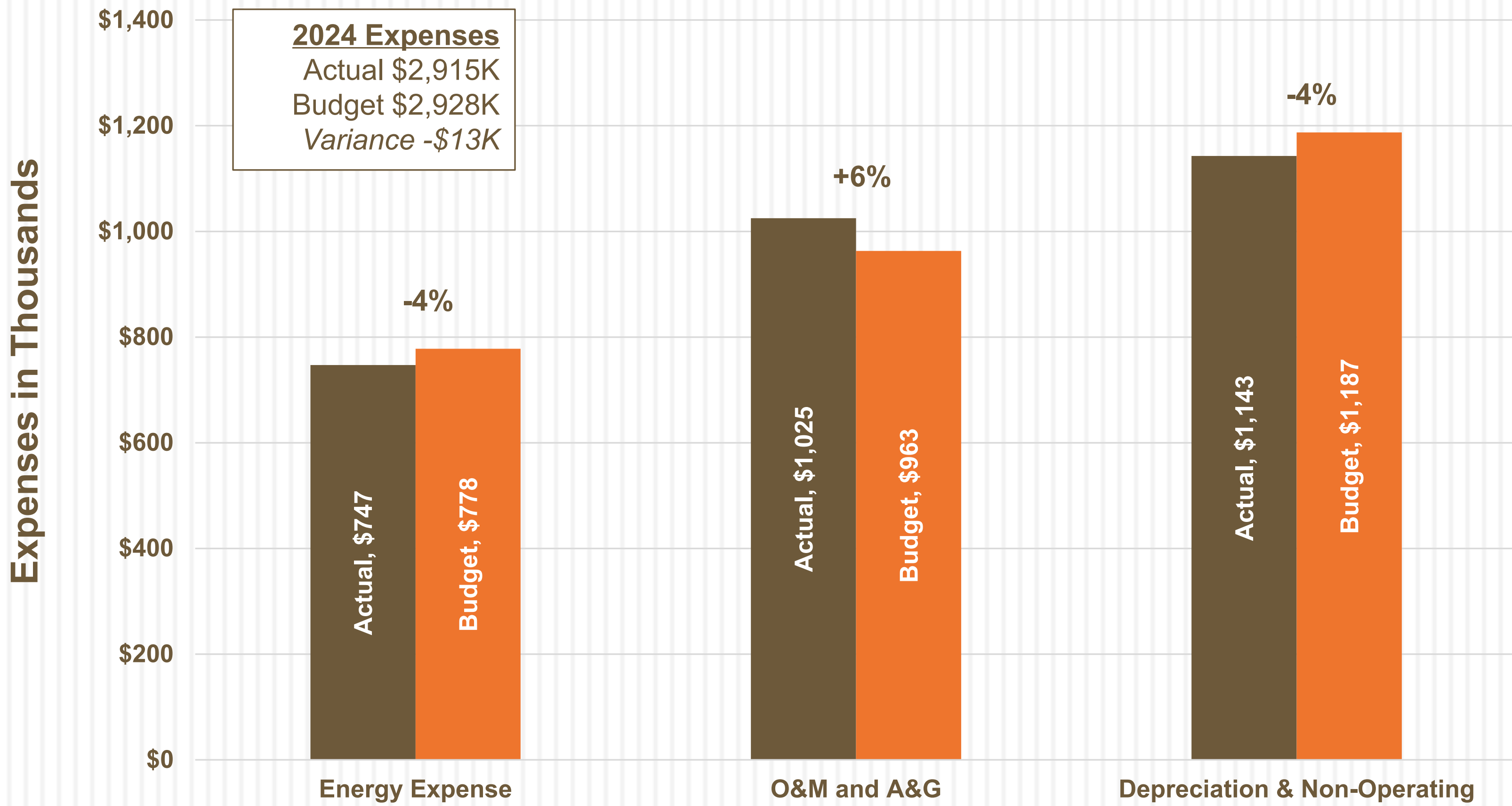
Sales were 4% below budget due primarily to warmer than average winter weather



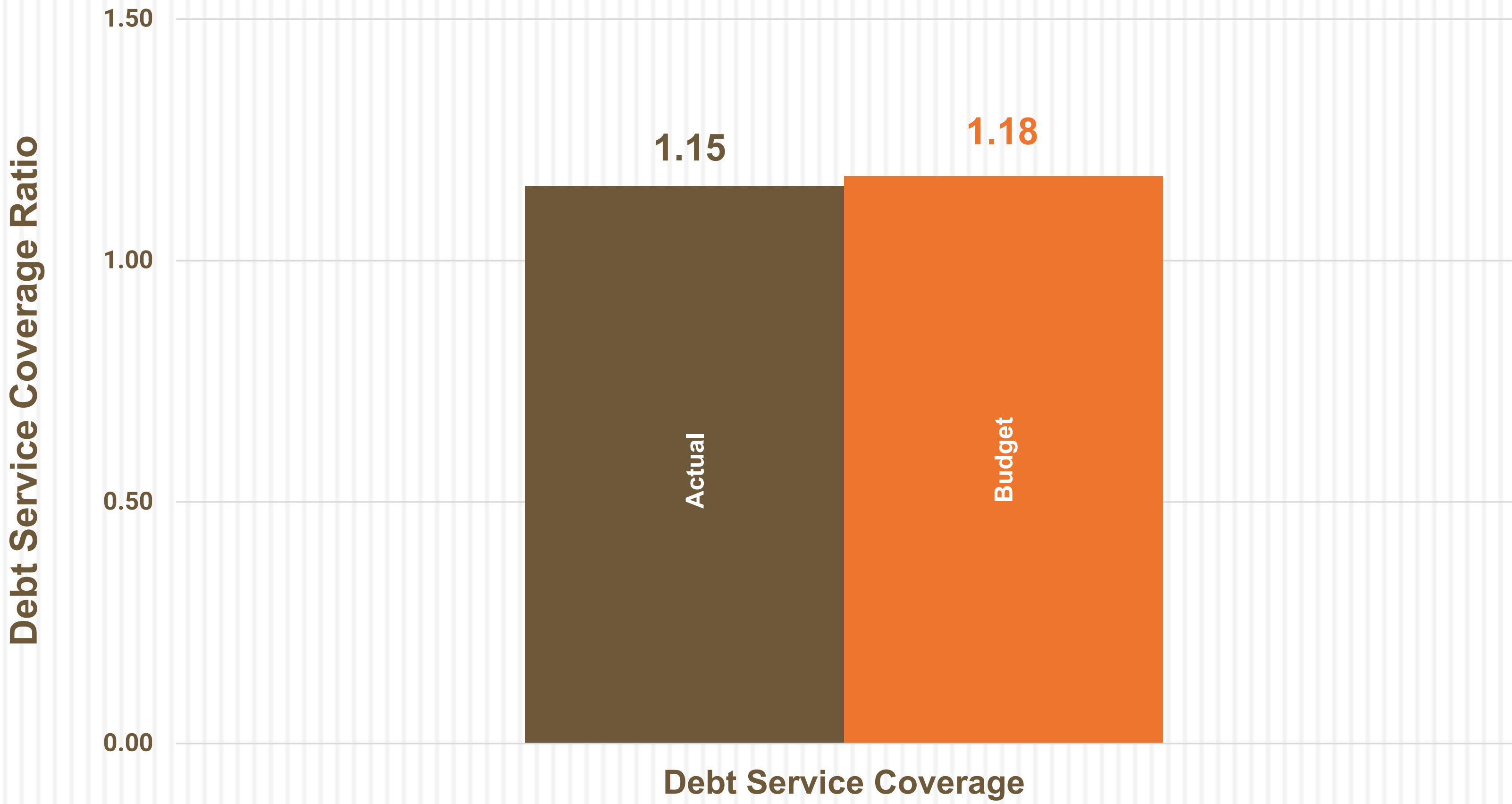
Revenue was slightly under budget due to lower heating sales



Expenses were near budget, primarily due lower energy expense, higher interest income offset by higher operations & maintenance expense



Debt Service Coverage was lower than budget due primarily to higher expenses



6 2023 Audit Report

7 Tax-Exempt Financing Compliance Update

TAB VI

FORVIS Report to the Board of Directors and Management

District Energy Corporation

Results of the 2023 Financial Statement Audit, Including Required Communications

December 31, 2023

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 year ended December 31, 2023 • Conducted in accordance with our contract dated September 8, 2023
Our Responsibilities	FORVIS 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.

FORVIS

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: • The Board of Directors and Management • Others within the Entity

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 topics:

- District Energy Corporation adopted the provisions of Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements* during 2023

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:

- No matters are reportable

Uncorrected Misstatements

- No current-period uncorrected misstatements

Other Required Communication

Other Material Communication

Listed below is another material communication between management and us related to the audit:

- Management representation letter (see Attachment)

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.

FORVIS®

Representation of:
District Energy Corporation
9445 Rokeby Road
Lincoln, Nebraska 68526

Provided to:
FORVIS, LLP
Certified Public Accountants
1248 “O” Street, Suite 1040
Lincoln, Nebraska 68508

The undersigned (“We”) are providing this letter in connection with FORVIS’ audits of our financial statements as of and for the years ended December 31, 2023 and 2022.

Our representations are current and effective as of the date of FORVIS’ report: April 9, 2024.

Our engagement with FORVIS is based on our contract for services dated: September 8, 2023.

Our Responsibility & Consideration of Material Matters

We confirm that we are responsible for the fair presentation of the financial statements subject to FORVIS’ 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’ 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
    - 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/fund balance 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 entity's ability to continue as a going concern was evaluated and that appropriate disclosures are made in the financial statements as necessary under GASB requirements.

29. 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

30. 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.

31. 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 balance sheet 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.

    dec

32. 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

33. 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

34. 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.

35. 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 volumes of business, revenues, available sources of supply, or markets, loans, investments, or deposits, 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

36. 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

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

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

GASB Statement 96, *Subscription-Based Information Technology Arrangements*

39. In connection with the adoption of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96), we represent the following:

    a. We have identified a complete population of potential subscription-based information technology arrangements (SBITAs) as of the implementation date.

    b. We did not identify any SBITAs to record.

DocuSigned by:
Emily N. Koenig

Emily Koenig, Chief Financial Officer
ekoenig@les.com

DocuSigned by:
Nicholas L. Wolf

Nick Wolf, Financial Accounting Manager
nwolf@les.com

TAB VII

District Energy Corporation

Independent Auditor's Report and Financial Statements

December 31, 2023 and 2022

District Energy Corporation
December 31, 2023 and 2022

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FORVIS

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forvis.com

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, 2023 and 2022, 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, 2023 and 2022, 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

FORVIS, LLP

Lincoln, Nebraska
April 9, 2024

District Energy Corporation

Management's Discussion and Analysis (Unaudited)

December 31, 2023 and 2022

2023 SIGNIFICANT EVENTS

- The city water meter and associated piping at the County/City Thermal Plant were upgraded from 1.5" to 2" to increase condenser water makeup to the cooling towers to ensure reliable chiller operation. The water softener was also replaced for improved water chemistry for the chilled and hot water loops.
- A hot water leak caused by corroded hot water distribution piping under a paved city street was replaced with high temperature polymer piping. Hot water distribution valves were also replaced with improved installation methods to reduce corrosion risk.
- Preventative maintenance and improvements were completed on the West Haymarket Plant's hot water underground distribution system, which included valve replacements, pipe replacements, and improved installation methods. This project reduced risks of corrosion and potential leaks, and addressed items discovered during previous inspections.
- The condensate storage tank was replaced at the State Boiler Plant, which included new pumps and associated control equipment that greatly improved plant reliability.
- The roof at the State Boiler Plant was replaced to maintain long-term integrity of the building structure.
- Several projects were completed to improve safety, security, and customer service at all the District Energy Corporation facilities. This included additional card access readers, redundant communications for fire system monitoring, and additional customer alarms and communications to ensure quicker response times.

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 DEC's financial position and operating results for the years ended December 31, 2023, 2022 and 2021. 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 District Energy Corporation (DEC).

> **Balance Sheet** - 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.

FINANCIAL POSITION AND OPERATING RESULTS

CONDENSED BALANCE SHEETS

	2023	2022	2021
Current Assets	$ 9,115,468	$ 7,373,297	$ 6,393,835
Noncurrent Assets	4,243,132	5,483,845	5,911,374
Capital Assets, net	59,715,395	62,254,612	64,156,979
Deferred Outflows of Resources	1,109,035	1,172,706	1,236,379
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 74,183,030	$ 76,284,460	$ 77,698,567
Current Liabilities	$ 7,013,298	$ 5,333,485	$ 5,187,721
Noncurrent Liabilities	59,117,414	64,764,836	67,976,950
TOTAL LIABILITIES	66,130,712	70,098,321	73,164,671
Net investment in capital assets	(117,312)	(819,025)	(1,921,050)
Restricted for debt service	2,259,503	1,673,000	1,574,422
Unrestricted	5,910,127	5,332,164	4,880,524
NET POSITION	8,052,318	6,186,139	4,533,896
TOTAL LIABILITIES AND NET POSITION	$ 74,183,030	$ 76,284,460	$ 77,698,567

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.

Comparison of 2022 to 2021

Total assets and deferred outflows of resources decreased $1,414,107 or 1.8 percent in 2022 as compared to 2021. Current assets increased $979,462 or 15.3 percent due primarily to increases in the operating fund balance related to increased revenue. Noncurrent assets decreased $427,529 or 7.2 percent, primarily due to lower financing receivable balances and complete repayment on the SAP project asset balance. Capital assets decreased $1,902,367 or 3.0 percent, primarily due to routine monthly depreciation. Deferred outflows of resources decreased $63,673 or 5.1 percent due to the amortization of deferred losses on refunded debt.

Total liabilities decreased $3,066,350 or 4.2 percent in 2022 compared to 2021. Current liabilities increased $145,764 or 2.8 percent due to increased accounts payable. Noncurrent liabilities decreased $3,212,114 or 4.7 percent due to bond principal payments and premium amortization.

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2023	2022	2021
Operating Revenues	$ 12,505,413	$ 12,058,862	$ 10,503,724
Operating Expenses	9,644,776	9,038,343	8,774,380
OPERATING INCOME	$ 2,860,637	$ 3,020,519	$ 1,729,344
Interest Expense	$ (1,467,826)	$ (1,461,673)	$ (1,747,100)
Other Nonoperating Revenues	473,368	93,397	107,025
TOTAL NONOPERATING EXPENSES	(994,458)	(1,368,276)	(1,640,075)
CHANGE IN NET POSITION	$ 1,866,179	$ 1,652,243	$ 89,269

OPERATING REVENUES

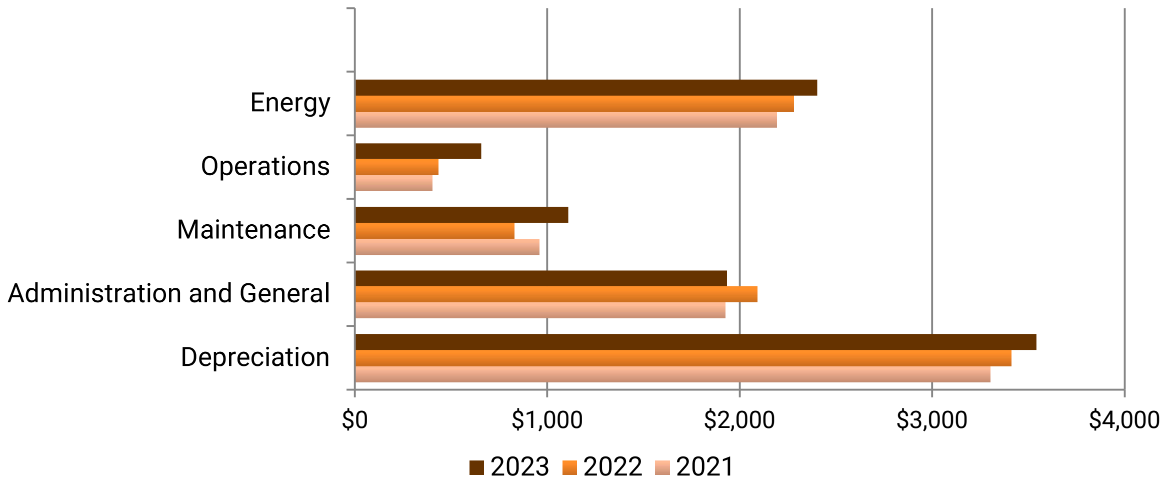
Comparison of 2023 to 2022

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.

Comparison of 2022 to 2021

Operating revenues for 2022 were $12,058,862 an increase of $1,555,138 or 14.8 percent compared to 2021 operating revenues of $10,503,724. Operating revenues increased primarily due to a rise in the LES Operations Center Plant demand financing rate.

OPERATING EXPENSES
(Dollars in thousands)



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.

Comparison of 2022 to 2021

Operating expenses for 2022 were $9,038,343, an increase of $263,963 or 3.0 percent over 2021 operating expenses of $8,774,380. Energy expenses increased by $86,612 or 4.0 percent, primarily due to increased natural gas expenses. Operation and maintenance expenses decreased $99,350 or 7.3 percent, primarily due to a significant decrease in maintenance costs at the West Haymarket Plant due to extensive valve repair costs in 2021. Administration and general expenses increased by $166,090 or 8.6 percent due to increased management fees and insurance premiums. Depreciation expense increased $110,611 or 3.4 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, 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 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

	2023	2022	2021
Cash Flows from Operating Activities	$ 6,930,886	$ 7,100,570	$ 5,312,908
Cash Flows from Capital and Related Financing Activities	(6,767,791)	(6,022,866)	(6,281,099)
Cash Flows from Investing Activities	(685,123)	3,644,347	(3,766,384)
NET CHANGE IN CASH AND CASH EQUIVALENTS	$ (522,028)	$ 4,722,051	$ (4,734,575)

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 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.

Comparison of 2022 to 2021

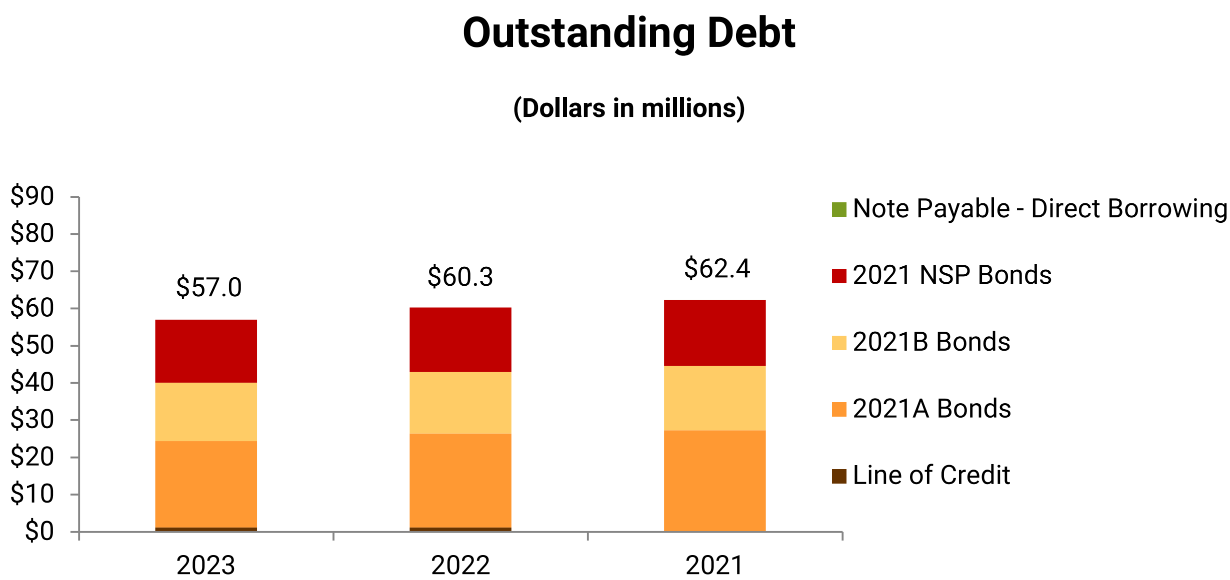
Cash inflows from operating activities for 2022 were $7,100,570, an increase of $1,787,662 from 2021, primarily due to higher customer revenues received. Cash outflows used for capital and related financing activities were $6,022,866, a decrease of $258,233 from 2021, due to financing activities during the Series 2021 Bond issuance in the previous year. Cash inflows from investing activities were $3,644,347 in 2022 compared to cash outflows of $3,766,384 in 2021 for a year-over-year increase of $7,410,731. This change is primarily due to increased sales of investments in 2022.

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 with an expiration of August 2024. The amount outstanding under this line of credit was $1,200,000 as of December 31, 2023 and 2022.

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

The following chart shows outstanding debt as of December 31, 2023, 2022 and 2021.



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, 2023, 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

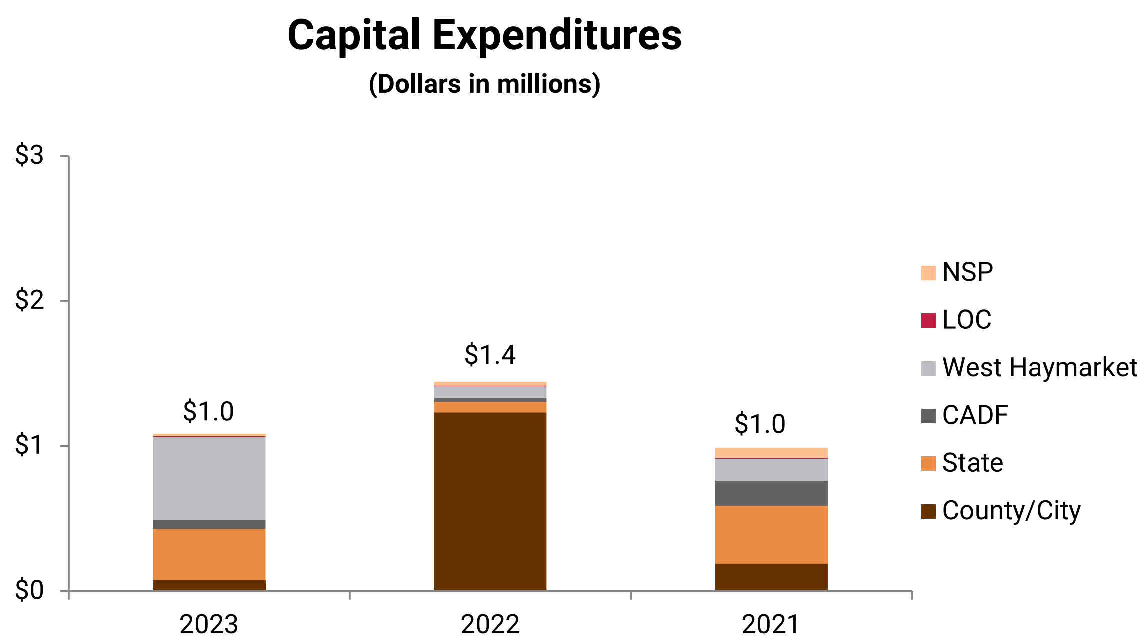
The following table reflects the calculation of the debt service coverage ratio. The ratio reflects DEC's year-end funds available to pay its debt service. DEC's bond resolution establishes a debt service coverage requirement of 1.0.

	2023	2022	2021
OPERATING REVENUE	$ 12,505,413	$ 12,058,862	$ 10,503,724
Energy	2,403,126	2,278,869	2,192,257
Operations	656,589	432,556	401,223
Maintenance	1,108,520	826,660	957,343
Administration and General	1,934,091	2,089,235	1,923,145
TOTAL OPERATING EXPENSES (EXCLUDING DEPRECIATION)	6,102,326	5,627,320	5,473,968
Net Operating Revenue	6,403,087	6,431,542	5,029,756
Interest Income*	447,021	93,397	58,327
Transfer to Rate Stabilization Fund	(69,000)	(57,000)	(50,000)
Financing Receipts**	238,749	255,385	201,498
AVAILABLE FOR DEBT SERVICE	$ 7,019,857	$ 6,723,324	$ 5,239,581
DEBT SERVICE	$ 5,642,140	$ 5,640,264	$ 4,282,430
DEBT SERVICE COVERAGE RATIO	1.24	1.19	1.22

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

CAPITAL EXPENDITURES

Capital expenditures for 2023, 2022 and 2021 are shown in the chart below.



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.

Significant projects during 2022 included:

- County/City Thermal Plant
  - Additional ice storage was installed to increase capacity and adequately serve customer demand.
- State Boiler Plant
  - An upgrade of the pumps and associated control equipment was performed on the deaerator, which greatly improved reliability and reduced operator callouts.
- West Haymarket Plant
  - A pipe extension was necessary to provide service to the Canopy Park Development in the West Haymarket. Design, construction and installation of a

four-pipe extension started in 2020 and continued into 2022. The Canopy Park Development began taking thermal service late in 2022.

- The underground distribution system was evaluated to investigate potential corrosion after a hot water leak was identified in late 2020. Plans were created to address identified concerns in 2023.

CONTACT INFORMATION

This financial report is designed to provide a general overview of DEC's financial status for 2023, 2022 and 2021. 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

Balance Sheets

Years Ended December 31, 2023 and 2022

	2023	2022
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	$ 4,499,273	$ 2,653,625
Investments	575,932	1,278,092
Restricted cash, cash equivalents and investments	3,267,925	2,842,744
Accounts receivable	263,830	208,940
Financing receivables	191,360	238,749
Inventory	143,120	131,147
Prepaid expenses	24,438	20,000
Other current assets	149,590	-
Total current assets	9,115,468	7,373,297
Noncurrent Assets		
Restricted cash, cash equivalents and investments	2,928,401	3,900,318
Financing receivables, net	876,267	1,067,627
Costs recoverable from future billings	438,464	515,900
Total noncurrent assets	4,243,132	5,483,845
Capital Assets		
Utility plant	90,737,247	88,530,482
Accumulated depreciation	(31,460,392)	(27,917,942)
Construction work in progress	438,540	1,642,072
Total capital assets	59,715,395	62,254,612
Deferred Outflows of Resources		
Deferred loss on refunded debt	1,109,035	1,172,706
Total assets and deferred outflows of resources	$ 74,183,030	$ 76,284,460
Liabilities and Net Position		
Current Liabilities		
Accounts payable	$ 1,293,324	$ 792,311
Current portion of long-term debt	4,605,000	3,290,000
Accrued interest payable	1,114,974	1,181,174
Unearned revenue	-	70,000
Total current liabilities	7,013,298	5,333,485
Long-term Debt, Net	59,117,414	64,764,836
Total liabilities	66,130,712	70,098,321
Net Position		
Net investment in capital assets	(117,312)	(819,025)
Restricted for debt service	2,259,503	1,673,000
Unrestricted	5,910,127	5,332,164
Total net position	8,052,318	6,186,139
Total liabilities and net position	$ 74,183,030	$ 76,284,460

District Energy Corporation

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended December 31, 2023 and 2022

	2023	2022
Operating Revenues	$ 12,505,413	$ 12,058,862
Operating Expenses		
Energy	2,403,126	2,278,869
Operations	656,589	432,556
Maintenance	1,108,520	826,660
Administration and general	1,934,091	2,089,235
Depreciation	3,542,450	3,411,023
Total operating expenses	9,644,776	9,038,343
Operating Income	2,860,637	3,020,519
Non-Operating Revenues (Expenses)		
Interest expense on long-term debt	(1,467,826)	(1,461,673)
Investment income	473,368	93,397
Total non-operating expenses (net)	(994,458)	(1,368,276)
Change in Net Position	1,866,179	1,652,243
Net Position - Beginning of Year	6,186,139	4,533,896
Net Position - End of Year	$ 8,052,318	$ 6,186,139

District Energy Corporation

Statements of Cash Flows

Years Ended December 31, 2023 and 2022

	2023	2022
Operating Activities		
Received from sales to customers and users	$ 12,658,983	$ 12,476,312
Paid to suppliers for goods and services	(5,728,097)	(5,375,742)
Net cash provided by operating activities	6,930,886	7,100,570
Capital and Related Financing Activities		
Capital expenditures for utility plant	(1,042,451)	(1,442,245)
Principal payments on long-term debt	(3,290,000)	(3,281,688)
Interest payments on long-term debt	(2,435,340)	(2,498,933)
Advances on line of credit	-	1,200,000
Net cash used in capital and related financing activities	(6,767,791)	(6,022,866)
Investing Activities		
Net (purchases) and sales of investments	(1,118,780)	3,568,708
Interest received	433,657	75,639
Net cash provided by (used in) investing activities	(685,123)	3,644,347
Net Change in Cash and Cash Equivalents	(522,028)	4,722,051
Cash and Cash Equivalents - Beginning of Year	6,739,647	2,017,596
Cash and Cash Equivalents - End of Year	$ 6,217,619	$ 6,739,647
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents	4,499,273	2,653,625
Restricted cash, cash equivalents and investments - current	3,267,925	2,842,744
Restricted cash, cash equivalents and investments - noncurrent	2,928,401	3,900,318
Total cash, cash equivalents and investments	10,695,599	9,396,687
Less: investments not classified as cash equivalents	(4,477,980)	(2,657,040)
Total cash and cash equivalents	$ 6,217,619	$ 6,739,647

District Energy Corporation

Statements of Cash Flows - Continued

Years Ended December 31, 2023 and 2022

		2023		2022
Reconciliation of Operating Income To				
Net Cash Provided By Operating Activities				
Operating income	$	2,860,637	$	3,020,519
Noncash items included in operating income				
Depreciation		3,542,450		3,411,023
Changes in operating assets and liabilities				
Accounts receivable		(15,181)		162,064
Inventory		(11,973)		(11,014)
Prepaid expenses		(4,438)		(1,065)
Financing receivable		238,749		255,385
Accounts payable		540,232		131,970
Unearned revenue		(70,000)		-
Other current assets		(149,590)		-
Other noncurrent assets		-		131,688
Net cash provided by operating activities	$	6,930,886	$	7,100,570
Supplemental Non-cash Activities				
Capital asset acquisitions included in accounts payable	$	41,177	$	80,395
Bond premium amortization		1,042,422		1,122,114
Amortization of deferred loss on refunding		63,671		63,673

District Energy Corporation

Notes to Financial Statements

Years Ended December 31, 2023 and 2022

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 and 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, 2023 and 2022, 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, 2023 and 2022.

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 Re 10, *Regulated Operations*. At December 31, 2023 and 2022, 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 in the future. 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 $1,109,035 and $1,172,706 as of December 31, 2023 and 2022, respectively.

Unearned Revenue

Unearned revenue relates to the fixed portion of the annual fee charged to the State of Nebraska for the contract to provide thermal services, which is amortized over the 12-month period relating to the contract. As of December 31, 2023, the contract has been fulfilled, which resulted in unearned revenue balance of $0 and $70,000 for 2023 and 2022, 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, 2023 and 2022, DEC had the following investments:

		Maturities in Years				
December 31, 2023	Carrying Value	Less Than 1	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	$ -			

		Maturities in Years				
December 31, 2022	Carrying Value	Less Than 1	1-5		Credit Ratings Moody's / S&P	Fair Value Hierarchy Level
Money market mutual funds	$ 4,173,277	$ 4,173,277	$ -		Aaa/AAAm	N/A
U.S. Agency obligations	4,706,903	4,706,903	-		Aaa/AA+	2
	$ 8,880,180	$ 8,880,180	$ -			

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, 2023 and 2022 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, 2023 and 2022 DEC had the following investment concentrations:

	Portfolio Composition December 31, 2023	2022
U.S. sponsored agency obligations		
Federal Home Loan Bank	30.45%	47.32%
Federal Home Loan Mortgage Corp	0.00%	5.68%

District Energy Corporation

Notes to Financial Statements

Years Ended December 31, 2023 and 2022

Summary of Carrying Values

The carrying values of cash deposits and investments as of December 31, 2023 and 2022 were as follows:

	2023	2022
Cash Deposits	$ 2,138,025	$ 1,794,599
Investments	9,133,506	8,880,180
	$ 11,271,531	$ 10,674,779
Current Assets		
Cash and cash equivalents		
Operating funds	$ 4,399,156	$ 2,581,860
Rate Stabilization Fund	100,117	71,765
Total	4,499,273	2,653,625
Investments		
Operating funds	-	773,292
Rate Stabilization Fund	575,932	504,800
Total	575,932	1,278,092
Restricted cash, cash equivalents and investments		
Bond principal and interest funds	3,267,925	2,842,744
Nonurrent Assets		
Restricted cash, cash equivalents and investments		
Bond reserve funds	2,928,401	2,837,597
Construction funds	-	1,062,721
Total	2,928,401	3,900,318
	$ 11,271,531	$ 10,674,779

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 $69,000 and $57,000 in 2023 and 2022, respectively. 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, 2023, are as follows:

Year Ending December 31,	Principal
2024	$ 135,553
2025	137,335
2026	139,141
2027	140,970
2028	142,824
2029-2031	315,997
Total	$ 1,011,820

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 is reimbursing DEC for the original cost of this project over the term of the related debt service, which matures July 1, 2024. The State makes monthly payments to DEC of $8,997, which includes interest at a rate of 2.7 percent.

The minimum payments expected to be received from the State over the term of this agreement at December 31, 2023, are as follows:

Year Ending December 31,	Principal
2024	55,807
Total	$ 55,807

Note 4: Utility Plant

Utility plant activity for the years ended December 31, 2023 and 2022 was as follows:

	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

	2022				
	January 1,	Increases	Decreases	Transfers	December 31,
Construction work in progress (not depreciated)	$ 4,331,175	$ 1,508,656	$ -	$ (4,197,759)	$ 1,642,072
Utility Plant	84,332,723	-	-	4,197,759	88,530,482
Less: Accumulated depreciation	(24,506,919)	(3,411,023)	-	-	(27,917,942)
Totals	$ 64,156,979	$ (1,902,367)	$ -	$ -	$ 62,254,612

Note 5: Long-Term Debt

Long-term debt consisted of the following at December 31, 2023 and 2022:

	Date Callable	2023	2022
Revenue Bonds			
Series Bonds			
Series 2021A facility revenue refunding bonds, 5.00%, due annually through July 1, 2032	2031	20,110,000	22,215,000
Series 2021B facility revenue refunding bonds, 0.26% to 2.19%, due annually through July 1, 2031	N/A	5,620,000	6,385,000
Series 2021 NSP facility revenue bonds, 5.00%, due annually through July 1, 2040	2031	11,405,000	11,825,000
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		55,780,000	59,070,000

Revenue and Refunding Bonds

There were no bond issuances during the fiscal years ending December 31, 2023 and 2022.

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, which is August 19, 2024. The amount outstanding under the line of credit was $1,200,000 as of December 31, 2023 and 2022.

Note Payable – Direct Borrowing

During 2019, DEC entered into an agreement with LES to migrate business processes to the SAP Enterprise Software to create operational and administrative efficiencies. Costs incurred totaled $555,423. Under the agreement, costs incurred in relation to this migration were financed by LES at an interest rate equivalent to LES' weighted average cost of capital, which was 2.44% for 2022. Monthly principal and interest payments of $18,482 began in January 2020 and continued through August 2022, at which time the financed amount was paid in full.

The debt activities and balances at December 31, 2023 and 2022 were as follows:

	January 1, 2023	Additions	Reduction	December 31, 2022	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

	January 1, 2022	Additions	Reduction	December 31, 2021	Due Within One Year
Revenue bonds	$ 62,220,000	$ -	$ (3,150,000)	$ 59,070,000	$ 3,290,000
Bond issuance premiums	8,906,950	-	(1,122,114)	7,784,836	-
Line of credit	-	1,200,000	-	1,200,000	-
Note payable - direct borrowing	131,688	-	(131,688)	-	-
Totals	$ 71,258,638	$ 1,200,000	$ (4,403,802)	$ 68,054,836	$ 3,290,000

Debt service requirements including sinking fund requirements for DEC's revenue bonds as of December 31, 2023, were as follows:

Bond Year Ending July 31,	Principal	Interest	Total
2024	$ 3,405,000	$ 2,229,948	$ 5,634,948
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
2029-2033	15,030,000	5,677,022	20,707,022
2034-2038	9,620,000	3,452,393	13,072,393
2039-2043	10,760,000	1,604,093	12,364,093
2044-2045	2,325,000	140,400	2,465,400
Total	$ 55,780,000	$ 20,569,580	$ 76,349,580

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 $2,537,000 and $2,203,000 in 2023 and 2022, respectively. The total payments to LES for electric service were approximately $940,000 and $888,000 in 2023 and 2022, respectively. DEC fulfilled its repayment obligation for the SAP project with the final payments to LES totaling approximately $151,000 in 2022. Accounts payable to LES were approximately $198,000 or 15 percent and $204,000 or 26 percent of the total accounts payable balance at December 31, 2023 and 2022, 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.

All of DEC's heating and cooling service revenues were generated from six customers in 2023 and 2022: The State of Nebraska, City of Lincoln, Lancaster County, West Haymarket Joint Public Agency, Lincoln Electric System and the Nebraska Department of Corrections.

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 deductions, 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, 2023 and 2022 are presented as follows:

District Energy Corporation

Notes to Financial Statements

Years Ended December 31, 2023 and 2022

CONDENSED BALANCE SHEETS

	2023	2022
Assets		
Current Assets	$ 1,940,977	$ 1,752,449
Noncurrent Assets	777,401	771,958
Capital Assets	19,278,823	20,008,850
Total Assets	$ 21,997,201	$ 22,533,257
Liabilities		
Current Liabilities	$ 990,712	$ 989,811
Noncurrent Liabilities	19,960,280	20,676,568
Total Liabilities	20,950,992	21,666,379
Net Position		
Net Investment in Capital Assets	(504,732)	(1,673,701)
Restricted for Debt Service	245,653	1,473,694
Unrestricted	1,305,288	1,066,885
Total Net Position	1,046,209	866,878
Total Liabilities and Net Position	$ 21,997,201	$ 22,533,257

CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION

	2023	2022
Operating Revenues	$ 2,803,860	$ 2,670,930
Operating Expenses	2,171,844	2,011,279
Operating Income	632,016	659,651
Interest Expense	(534,798)	(548,849)
Other Non-Operating Revenues	82,113	19,499
Total Non-Operating Expenses	(452,685)	(529,350)
Change in Net Position	179,331	130,301
Net Position - Beginning of Year	866,878	736,577
Net Position - End of Year	$ 1,046,209	$ 866,878

CONDENSED STATEMENTS OF CASH FLOWS

	2023	2022
Cash Flows from Operating Activities	$ 1,304,821	$ 1,706,083
Cash Flows from Capital and Related Financing Activities	(1,243,741)	(1,293,981)
Cash Flows from Investing Activities	(325,979)	787,788
Net Change in Cash and Cash Equivalents	(264,899)	1,199,890
Cash and Cash Equivalents - Beginning of Year	1,796,181	596,291
Cash and Cash Equivalents - End of Year	$ 1,531,282	$ 1,796,181