District Energy Corporation

Independent Auditor's Report and Financial Statements

December 31, 2021 and 2020

DEC
ENERGY

District Energy Corporation

December 31, 2021 and 2020

Contents

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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, 2021 and 2020, 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, 2021 and 2020, 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 Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 as listed in the table of contents 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.

BKD, LLP

Lincoln, Nebraska
April 7, 2022

District Energy Corporation

Management's Discussion and Analysis (Unaudited)

December 31, 2021 and 2020

2021 SIGNIFICANT EVENTS

- Winter Storm Uri, which occurred in February of 2021, significantly impacted District Energy Corporation's (DEC's) plant operations. Thermal plant equipment, fuel supply and management systems were tested. During the storm, several plants encountered operational issues. Additionally, the storm caused difficulty receiving fuel oil due to a lack of availability of truck drivers and supply shortages.
- The Canopy Park Development interconnection to the DEC West Haymarket Plant was completed.
- A hot water leak caused by a corroded valve was repaired in the DEC West Haymarket Plant's underground distribution system. The valve was replaced, and improved insulation was installed to protect the valve and pipe from future corrosion.
- Safety systems were updated throughout the State Boiler Plant. Work included installing new fire detection equipment, a smart panel and a new fire suppression system.
- Upgraded steam revenue meters were installed for the Capitol and State Administration Buildings.
- An upgrade to the generator switchgear controls was completed at the County Adult Detention Facility. The upgraded equipment allows for better local and remote monitoring of the backup diesel engine- generators.
- In April 2021, DEC sold $63,445,000 in Revenue and Revenue Refunding Bonds. Proceeds from the sale and cash on hand were used to fully refund the Series 2010 and 2013 Bonds and payoff the J.P. Morgan Chase Bank, N.A line of credit. The refinancing resulted in a net present value debt service savings of approximately $2.3 million for DEC customers.

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, 2021, 2020 and 2019. This overview from management is one of the three components of the Financial Report. The other two components are the Financial Statements and Notes to the Financial Statements. The Financial Report should be read in its entirety to understand the events and conditions impacting DEC.

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 revenue and expense and non-operating revenue and expense. 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 information in the Financial Statements.

FINANCIAL POSITION AND OPERATING RESULTS

CONDENSED BALANCE SHEETS

	2021	2020	2019
Current Assets	$6,393,835	$9,420,821	$7,353,540
Noncurrent Assets	5,911,374	4,234,097	4,678,432
Capital Assets	64,156,979	66,524,920	67,386,932
Deferred Outflows of Resources	1,236,379	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$77,698,567	$80,179,838	$79,418,904
Current Liabilities	$5,187,721	$49,494,421	$47,929,137
Noncurrent Liabilities	67,976,950	26,240,790	27,825,173
TOTAL LIABILITIES	73,164,671	75,735,211	75,754,310
Net Investment in Capital Assets	(1,921,050)	(5,999,587)	(4,182,478)
Restricted	1,574,422	866,702	133,114
Unrestricted	4,880,524	9,577,512	7,713,958
NET POSITION	4,533,896	4,444,627	3,664,594
TOTAL LIABILITIES AND NET POSITION	$77,698,567	$80,179,838	$79,418,904

Comparison of 2021 to 2020

Total assets and deferred outflows of resources decreased $2,481,271 or 3.1 percent in 2021 as compared to 2020. Current assets decreased a net amount of $3,026,986 or 32.1 percent due primarily to decreases in the operating fund balance related to the use of cash on hand to pay down the J.P. Morgan Chase Bank, N.A line of credit and the Series 2010B and Series 2013 Bonds. Noncurrent assets increased $1,677,277 or 39.6 percent, primarily due to an increase in the restricted fund balance requirements in relation to the Series 2021 Bond issuance. Capital assets decreased $2,367,941 primarily due to accumulated depreciation from routine monthly depreciation expense. Deferred outflows of resources, which consist of deferred losses on refunded debt, increased due to the refunding loss incurred from the defeasement of the Series 2010B and Series 2013 Bonds.

Total liabilities decreased $2,570,540 or 3.4 percent in 2021 as compared to 2020. Current liabilities decreased by $44,306,700 primarily due to the payoff of the J.P. Morgan Chase Bank, N.A line of credit in 2021. Noncurrent liabilities increased $41,736,160 primarily due to the new debt issuance of the Series 2021A, 2021B, and 2021 NSP Revenue Bonds.

Comparison of 2020 to 2019

Total assets increased $760,934 or 1.0 percent in 2020 as compared to 2019. Current assets increased a net amount of $2,067,281 or 28.1 percent due primarily to increases in the operating fund balance. Noncurrent assets decreased $444,335 or 9.5 percent, primarily due to a decrease in the construction fund balance and the reduction of the SAP Project asset balance. Capital assets decreased $862,012 primarily due to an increase in accumulated depreciation related to the first full year of operations at the LES Operations Center (LOC) and Nebraska State Penitentiary (NSP) plants.

Total liabilities decreased $19,099 in 2020 as compared to 2019. Current liabilities increased $1,565,284 due to additional short-term funding drawn on the J.P. Morgan Chase Bank, N.A line of credit and noncurrent liabilities decreased $1,584,383 primarily due to regular payments on long term debt.

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2021	2020	2019
Operating Revenues	$10,503,724	$10,786,425	$6,952,543
Operating Expenses	8,774,380	8,234,096	5,679,371
Operating Income	1,729,344	2,552,329	1,273,172
Interest Expense	(1,747,100)	(2,101,522)	(2,449,900)
Other Non-Operating Revenues	107,025	329,226	1,023,108
Total Non-Operating Expenses	(1,640,075)	(1,772,296)	(1,426,792)
CHANGE IN NET POSITION	$89,269	$780,033	($153,620)

OPERATING REVENUES

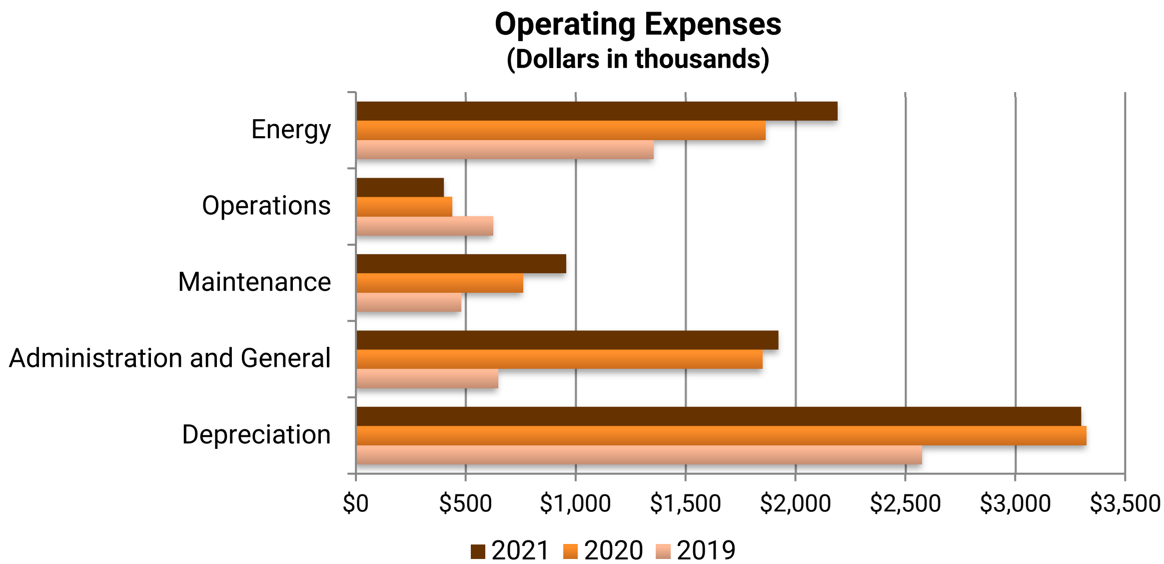
Comparison of 2021 to 2020

Operating revenues for 2021 were $10,503,724 a decrease of $282,701 or 2.6 percent as compared to 2020 operating revenues of $10,786,425. Operating revenues decreased primarily due to a reduction of the demand financing rate for the LOC and NSP plants.

Comparison of 2020 to 2019

Operating revenues for 2020 were $10,786,425 an increase of $3,833,882 or 55.1 percent over 2019 operating revenues of $6,952,543. Operating revenues increased primarily due to the LOC and NSP plants completing their first full year of commercial operation.

OPERATING EXPENSES



Comparison of 2021 to 2020

Operating expenses for 2021 were $8,774,380, an increase of $540,284 or 6.6 percent over 2020 operating expenses of $8,234,096. Energy expenses increased $327,925 or 17.6 percent, primarily due to increased natural gas expense during Winter Storm Uri. Operation and maintenance expenses increased $161,907 or 13.5 percent due to maintenance costs to repair the hot water leak in the West Haymarket Plant's underground distribution system. Administration and general expenses increased $73,413 or 4.0 percent due to an increased management fee and insurance premiums. Depreciation expense decreased $22,961 or 0.7 percent due to the retirement of a depreciable asset early in 2021.

Comparison of 2020 to 2019

Operating expenses for 2020 were $8,234,096, an increase of $2,554,725 or 45.0 percent over 2019 operating expenses of $5,679,371. Energy expenses increased $509,262 or 37.6 percent primarily due to commercial operations at the LOC and NSP plants. Operation and maintenance expenses increased $94,864 or 8.6 percent due to new plant operations for LOC and NSP. Administration and general expenses increased $1,202,527 or 185.8 percent due to increased labor, legal fees and insurance premiums. Depreciation expense increased $748,072 or 29.0 percent due to the depreciation associated with the addition of the LOC and NSP plants.

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

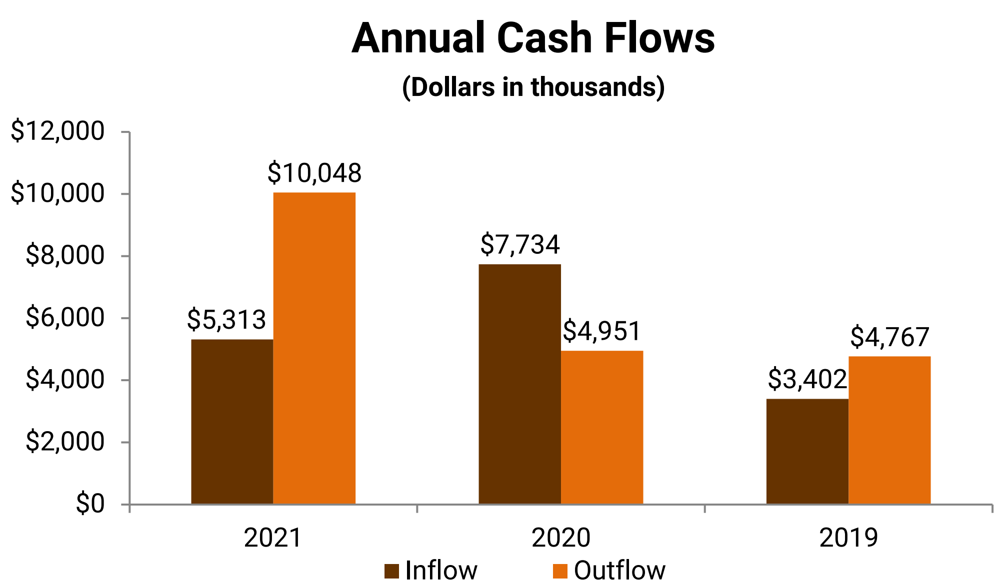
CONDENSED STATEMENTS OF CASH FLOWS

	2021	2020	2019
Cash Flows from Operating Activities	$5,312,908	$7,256,619	$3,249,202
Cash Flows from Capital and Related Financing Activities	(6,281,099)	(4,950,573)	(4,766,568)
Cash Flows from Investing Activities	(3,766,384)	477,277	152,568
NET CHANGE IN CASH AND CASH EQUIVALENTS	($4,734,575)	$2,783,323	($1,364,798)

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 security purchases and maturities and interest income.



Comparison of 2021 to 2020

Cash inflows from operating activities for 2021 were $5,312,908 a decrease of $1,943,711 from 2020. The decrease resulted from higher amounts paid to suppliers combined with less revenue. Cash outflows used for capital and related financing activities were $6,281,099, an increase of $1,330,526 from 2020, primarily due to the financing activities related to the Series 2021 Bond issuances. Cash outflows from investing activities were $3,766,384 in 2021 compared to cash inflows of $477,277 in 2020 for a year-over-year decrease of $4,243,661. This change is primarily due to restricted funds increasing in relation to the Series 2021 Bond issuance, which led to increased investment purchases in 2021.

Comparison of 2020 to 2019

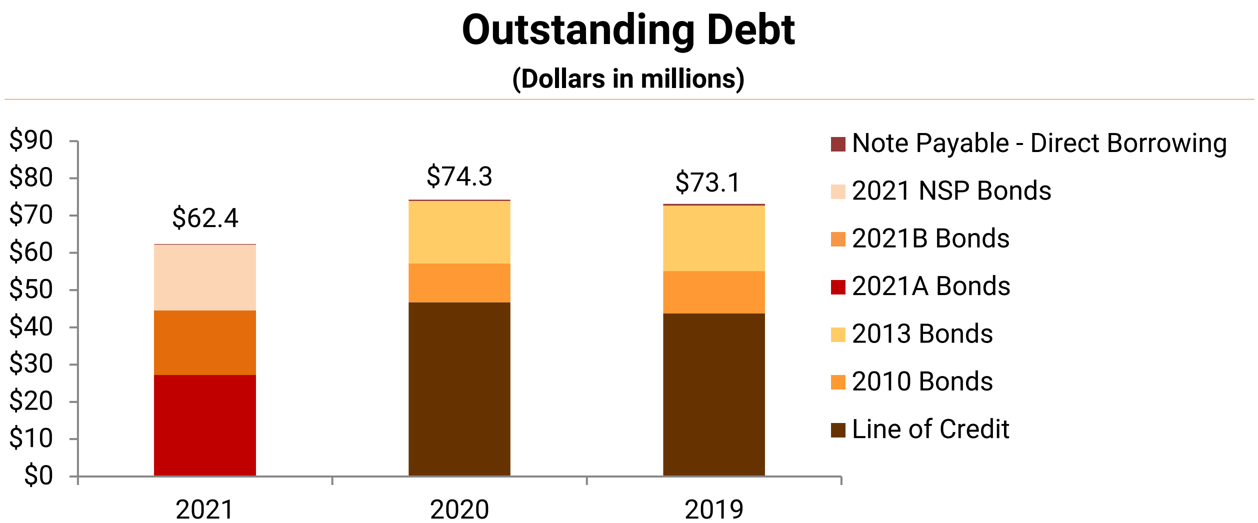
Cash inflows from operating activities for 2020 were $7,256,619 an increase of $4,007,417 from 2019. The increase was a result of higher amounts of revenue received in conjunction with lower amounts paid to suppliers. Cash outflows used for capital and related financing activities increased $184,005 from 2019, primarily due to a decrease in capital expenditures for utility plants offset by reduced short-term financing needs. Cash inflows from investing activities increased $324,709 over 2019 primarily due to a reduction in investment activity related to 2021 cash payments.

FINANCING

In 2015, DEC secured a $10,000,000 line of credit with J.P. Morgan Chase Bank, N.A. In 2017, DEC increased the size and term of the agreement to a maximum of $50,000,000. The agreement was amended in 2021 to reduce the capacity to $5,000,000 and allow for both tax-exempt and taxable borrowings with an expiration of August 2024. The line of credit is in place to provide short-term liquidity as well as interim financing for current and future capital investments. The $46,750,000 outstanding balance on the line of credit at December 31, 2020 was paid down in April 2021 using $42,425,000 of bond proceeds. The remaining $4,425,000 was paid off with available cash on hand between April and June. The amount outstanding under this line of credit was $0 and $46,750,000 as of December 31, 2021 and 2020, respectively.

On April 1, 2021, DEC issued $63,445,000 of Revenue and Revenue Refunding Bonds in three series with the intent to fund certain future capital improvements, refund several outstanding long-term debt obligations, and pay down the balance on the J.P. Morgan line of credit. As part of these bond transactions, DEC defeased a combined total of $27,165,000 of Series 2010B and 2013 Revenue Bonds, of which $25,092,777 came from bond proceeds and the remainder from available cash on hand. The Series 2021A Facility Revenue Refunding Bonds with a principal amount of $27,875,000, fully refunded $10,405,000 of the Series 2010B Bonds and provided for a payment of $21,225,000 towards the J.P. Morgan line of credit. The Taxable Series 2021B Facility Revenue Refunding Bonds with a principal amount of $17,870,000 fully refunded $16,760,000 of the Series 2013 Bonds. The Series 2021 NSP Facility Revenue Bonds with a principal amount of $17,700,000 provided for a payment of $21,200,000 towards the J.P. Morgan line of credit. The refinancing of all of DEC's existing bonds resulted in a net present value debt service savings of approximately $2.3 million for DEC customers.

The following chart shows outstanding debt as of December 31, 2021, 2020 and 2019.



RATINGS

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

The credit ratings in effect on December 31, 2021, were as follows:

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

DEBT SERVICE COVERAGE

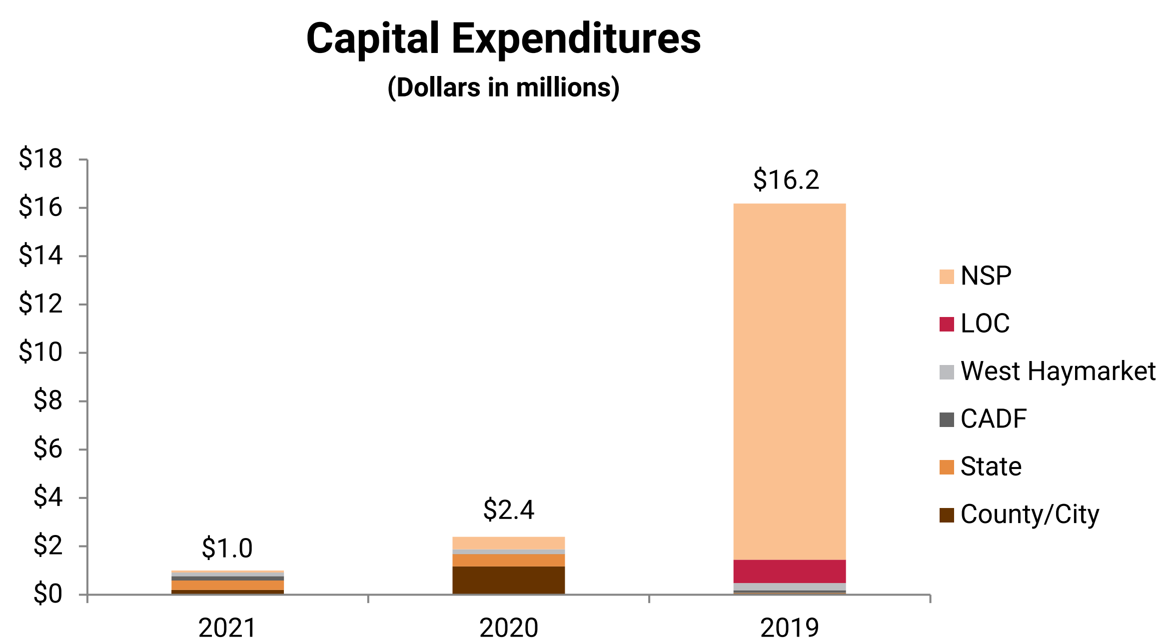
The following table reflects the calculation of the debt service coverage ratio. The ratio reflects DEC's year-end funds available to pay its debt service. DEC's bond resolution establishes a debt service coverage requirement of 1.0.

DEBT SERVICE COVERAGE	2021	2020	2019
Operating Revenues	$10,503,724	$10,786,425	$6,952,543
Energy	2,192,257	1,864,332	1,355,070
Operations	401,223	436,576	623,355
Maintenance	957,343	760,083	478,440
Administration and General	1,923,145	1,849,732	647,205
Total Operating Expenses (excluding depreciation)	5,473,968	4,910,723	3,104,070
Net Operating Revenue	5,029,756	5,875,702	3,848,473
Interest Income	58,327	131,478	218,153
Transfer to Rate Stabilization Fund*	(50,000)	(50,000)	-
Financing Receipts**	201,498	195,776	190,223
Available for Debt Service	$5,239,581	$6,152,956	$4,256,849
Debt Service	$4,282,430	$2,579,382	$2,844,438
DEBT SERVICE COVERAGE RATIO	1.22	2.39	1.50

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

CAPITAL EXPENDITURES

Capital expenditures for 2021, 2020 and 2019 are shown in the chart below.



Significant projects during 2021 included:

- County/City Thermal Plant
  - A project to replace the plant's two fire-tubed steam boilers with higher-efficiency hot water boilers began in early 2020. After COVID-19-related delays, construction was completed in late 2020, with the final tie-in occurring in 2021.
- State Boiler Plant
  - An upgrade of the controls system to the new system platform standard began in early 2020 and was completed in 2021. This system provides improved functionality and better interfacing capability for operation.
  - Three dual-fuel burners were replaced on existing boilers to promote efficient operation and improve turn-down. The first burner was installed in late 2020, and the other two burners were installed and tied to the Burner Management System in 2021.
  - A project to upgrade three steam revenue meters began in 2021. Two meters were replaced in 2021, and the third is scheduled for installation in 2022.
- County Adult Detention Facility Plant
  - An upgrade of the generator switchgear controls was completed. The project allows for better local and remote monitoring of the backup diesel engine generators.
- West Haymarket Plant
  - Work began in 2020 to install a revenue-grade meter to monitor flow rates for chilled water as it leaves the plant. The flow meter was installed in early 2021.
  - A pipe extension was necessary to support Canopy Park Development services in the West Haymarket Joint Public Agency Design, construction and installation of a four-pipe extension occurred in 2020, with interconnection occurring in 2021.

Significant projects during 2020 included:

- County/City Thermal Plant
  - A new retaining wall and security fence were designed and installed at the west end of the property to replace the previous wall, which was losing structural integrity.
- West Haymarket Plant
  - An upgrade of the controls system to the new system platform standard was completed in 2020. This system provided improved functionality and better interfacing capability for operation.
- Nebraska State Penitentiary Plant (NSP)
  - Major construction activities at the NSP were completed in late 2019, with punch list items completed in 2020 and 2021. The plant began providing steam in October 2019 and went into commercial operation in December 2019.

CONTACT INFORMATION

This financial report is designed to provide a general overview of DEC's financial status for 2021, 2020 and 2019. 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
December 31, 2021 and 2020

Assets and Deferred Outflows of Resources	2021	2020
Current Assets		
Cash and cash equivalents	$ 766,205	$ 6,105,291
Investments	2,112,181	1,674,843
Restricted cash and investments	2,815,740	546,633
Accounts receivable	353,246	480,563
Financing receivables	207,395	201,498
Inventory	120,133	98,820
Prepaid expenses	18,935	313,173
Total current assets	6,393,835	9,420,821
Noncurrent Assets		
Restricted cash and investments	3,827,310	2,098,864
Financing receivables, net	1,354,366	1,561,762
Costs recoverable from future billings	598,010	226,134
Other noncurrent assets	131,688	347,337
Total noncurrent assets	5,911,374	4,234,097
Capital assets		
Utility plant	84,332,723	84,405,756
Accumulated depreciation	(24,506,919)	(21,717,919)
Construction work in progress	4,331,175	3,837,083
Total capital assets	64,156,979	66,524,920
Deferred Outflows of Resources		
Deferred loss on refunded debt	1,236,379	-
Total assets and deferred outflows of resources	$ 77,698,567	$ 80,179,838

Liabilities and Net Position	2021	2020
Current Liabilities		
Accounts payable	$ 593,931	$ 1,171,794
Current portion of long-term debt	3,281,688	1,500,649
Line of credit	-	46,750,000
Accrued interest payable	1,242,102	1,978
Unearned revenue	70,000	70,000
Total current liabilities	5,187,721	49,494,421
Long-term Debt, Net	67,976,950	26,240,790
Total liabilities	73,164,671	75,735,211
Net Position		
Net investment in capital assets	(1,921,050)	(5,999,587)
Restricted for debt service	1,574,422	866,702
Unrestricted	4,880,524	9,577,512
Total net position	4,533,896	4,444,627
Total liabilities and net position	$ 77,698,567	$ 80,179,838

District Energy Corporation

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended December 31, 2021 and 2020

	2021	2020
Operating Revenues	$ 10,503,724	$ 10,786,425
Operating Expenses		
Energy	2,192,257	1,864,332
Operations	401,223	436,576
Maintenance	957,343	760,083
Administration and general	1,923,145	1,849,732
Depreciation	3,300,412	3,323,373
Total operating expenses	8,774,380	8,234,096
Operating Income	1,729,344	2,552,329
Non-Operating Revenues (Expenses)		
Interest expense on long-term debt	(1,747,100)	(2,101,522)
Investment income	58,327	131,478
Interest rate subsidy - Build America Bonds	48,698	197,748
Total non-operating expenses (net)	(1,640,075)	(1,772,296)
Change in Net Position	89,269	780,033
Net Position - Beginning of Year	4,444,627	3,664,594
Net Position - End of Year	$ 4,533,896	$ 4,444,627

District Energy Corporation

Statements of Cash Flows

Years Ended December 31, 2021 and 2020

	2021	2020
Operating Activities		
Received from sales to customers and users	$ 10,730,579	$ 11,597,051
Paid to suppliers for goods and services	(5,417,671)	(4,340,432)
Net cash provided by operating activities	5,312,908	7,256,619
Capital and Related Financing Activities		
Capital expenditures for utility plant	(1,075,709)	(3,340,482)
Principal payments on long-term debt	(48,190,649)	(1,973,086)
Interest payments on long-term debt	(1,293,501)	(2,738,461)
Interest rate subsidy received - Build America Bonds	144,991	101,456
Advances on line of credit	-	3,000,000
Net proceeds from issuance of long-term debt	46,510,763	-
Transfer to bond escrow agent	(2,376,994)	-
Net cash used in capital and related financing activities	(6,281,099)	(4,950,573)
Investing Activities		
Net (purchases) and sales of investments	(3,830,380)	350,971
Interest received	63,996	126,306
Net cash provided by (used in) investing activities	(3,766,384)	477,277
Net Change in Cash and Cash Equivalents	(4,734,575)	2,783,323
Cash and Cash Equivalents - Beginning of Year	6,752,171	3,968,848
Cash and Cash Equivalents - End of Year	$ 2,017,596	$ 6,752,171
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents	$ 766,205	$ 6,105,291
Restricted cash and investments - current	2,815,740	546,633
Restricted cash and investments - noncurrent	3,827,310	2,098,864
Total cash and investments	7,409,255	8,750,788
Less: investments not classified as cash equivalents	(5,391,659)	(1,998,617)
Total cash and cash equivalents	$ 2,017,596	$ 6,752,171

District Energy Corporation
Statements of Cash Flows - Continued
Years Ended December 31, 2021 and 2020

	2021	2020
Reconciliation of Operating Income To		
Net Cash Provided By Operating Activities		
Operating income	$ 1,729,344	$ 2,552,329
Noncash items included in operating income		
Depreciation	3,300,412	3,323,373
Changes in operating assets and liabilities		
Accounts receivable	25,357	614,851
Inventory	(21,313)	7,438
Prepaid expenses	294,238	(54,596)
Financing receivable	201,499	195,775
Costs recoverable from future billings	2,349	(2,349)
Accounts payable	(434,627)	411,712
Other noncurrent assets	215,649	208,086
Net cash provided by operating activities	$ 5,312,908	$ 7,256,619
Supplemental Non-cash Activities		
Capital asset acquisitions included in accounts payable	$ 13,984	$ 157,222
Costs financed through issuance of note payable	$ -	$ 91,061
Bond premium amortization	$ 882,147	$ 27,286
Amortization of deferred loss on refunding	$ 47,754	$ -

District Energy Corporation
Notes to Financial Statements
December 31, 2021 and 2020

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. At December 31, 2021 and 2020, 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, 2021 and 2020.

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, 2021 and 2020, 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, then 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 remote at best, 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 $1,236,379 as of December 31, 2021.

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.

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 law 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.

New Accounting Standard

DEC implemented the provisions of GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period (GASB 89). This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported, except as Regulatory Accounting treatment is utilized and interest cost is amortized separate from the underlying asset.

Note 2: Deposits and Investments

Deposits

State statutes require banks either 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 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 tables displayed below 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, 2021 and 2020, DEC had the following investments:

		Maturities in Years			
December 31, 2021	**Carrying Value**	**Less Than 1**	**1-5**	**Credit Ratings Moody's / S&P**	**Fair Value Hierarchy Level**
Money market mutual funds	$ 1,885,767	$ 1,885,767	$ -	Aaa/AAAm	N/A
U.S. Treasury securities	4,683,790	4,683,790	-	Aaa/AA+	2
U.S. agency obligations	2,820,051	2,820,051	-	P-1/A-1+	2
	$ 9,389,608	$ 9,389,608	$ -		
December 31, 2020					
Money market mutual funds	$ 659,919	$ 659,919	$ -	Aaa/AAAm	N/A
U.S. Treasury securities	4,254,263	4,254,263	-	Aaa/AA+	2
U.S. agency obligations	2,918,849	2,918,849	-	Aaa/AA+	2
	$ 7,833,031	$ 7,833,031	$ -		

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, 2021 and 2020 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, 2021 and 2020 DEC had the following investment concentrations:

	Portfolio Composition December 31, 2021	2020
U.S. sponsored agency obligations		
Federal Home Loan Bank	30.0%	0.0%
Federal Farm Credit Bank	0.0%	37.3%

Summary of Carrying Values

The carrying values of cash deposits and investments as of December 31, 2021 and 2020 were as follows:

	2021	2020
Cash Deposits	$ 131,828	$ 2,592,600
Investments	9,389,608	7,833,031
	$ 9,521,436	$10,425,631
Current assets		
Cash and cash equivalents		
Operating funds	$ 764,062	$ 6,104,800
Rate Stabilization Fund	2,143	491
Total	766,205	6,105,291
Investments		
Operating funds	1,598,395	1,209,851
Rate Stabilization Fund	513,786	464,992
Total	2,112,181	1,674,843
Restricted cash and investments		
Bond principal and interest funds	2,815,740	546,633
Noncurrent assets		
Restricted cash and investments		
Bond reserve funds	2,826,951	1,478,000
Construction funds	1,000,359	620,864
Total	3,827,310	2,098,864
	$ 9,521,436	$10,425,631

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 and 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. In 2021 and 2020, the Board approved transfers of $50,000 to the RSF to make progress on 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 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 over the term of the related energy service agreement, which expires June 1, 2032. The County makes monthly payments to DEC of $12,330, which includes interest at a rate of 3.48 percent.

The minimum payments expected to be received from the County over the term of this agreement at December 31, 2021, are as follows:

Year Ending December 31,	Principal
2022	$ 104,354
2023	108,047
2024	111,871
2025	115,831
2026	119,930
2027-2031	666,402
2032	73,237
Total	$ 1,299,672

DEC has financed certain energy efficiency projects for the building acquired by the State of Nebraska (the State), located at 1526 "L" Street, in the City of Lincoln, Nebraska. The State maintains the building and is responsible for the costs of operation and maintenance of such improvements. DEC is being reimbursed by the State for the original cost of this project over the term of the related energy service agreement, which expires June 1, 2024. The State makes monthly payments to DEC of $8,997, which includes interest at a rate of 2.29 percent.

The minimum payments expected to be received from the State over the term of this agreement at December 31, 2021, are as follows:

Year Ending December 31,	Principal
2022	$ 103,041
2023	105,425
2024	53,623
Total	$ 262,089

Note 4: Utility Plant

Utility plant activity for the years ended December 31, 2021 and 2020 was as follows:

	2021				
	January 1,	Increases	Decreases	Transfers	December 31,
Construction work in progress (not depreciated)	$ 3,837,083	$ 932,471	$ -	$ (438,379)	$ 4,331,175
Utility plant	84,405,756	-	(511,412)	438,379	84,332,723
Less: Accumulated depreciation	(21,717,919)	(3,300,412)	511,412	-	(24,506,919)
Totals	$ 66,524,920	$ (2,367,941)	$ -	$ -	$ 64,156,979

	2020				
	January 1,	Increases	Decreases	Transfers	December 31,
Construction work in progress (not depreciated)	$ 1,537,408	$ 2,461,361	$ -	$ (161,686)	$ 3,837,083
Utility plant	84,244,070	-	-	161,686	84,405,756
Less: Accumulated depreciation	(18,394,546)	(3,323,373)	-	-	(21,717,919)
Totals	$ 67,386,932	$ (862,012)	$ -	$ -	$ 66,524,920

Note 5: Long-term Debt

Long-term debt consisted of the following at December 31, 2021 and 2020:

	Date Callable	2021	2020
Revenue Bonds			
Serial Bonds			
Series 2010B revenue bonds, 4.69% to 5.39%, due July 1, 2020 through July 1, 2025	2020	-	3,805,000
Series 2013 revenue bonds, 2.50% to 5.00%, due annually through July 1, 2033	2023	-	8,080,000
Series 2021A facility revenue refunding bonds, 5.00%, due annually through July 1, 2032	2031	24,210,000	-
Series 2021B facility revenue refunding bonds, 0.26% to 2.19%, due annually through July 1, 2031	N/A	7,145,000	-
Series 2021 NSP facility revenue bonds, 5.00%, due annually through July 1, 2040	2031	12,220,000	-
Term Bonds			
Series 2010B revenue bonds, 5.90%, due July 1, 2032	2020	-	6,600,000
Series 2013 revenue bonds, 4.00%, due July 1, 2038	2023	-	3,915,000
Series 2013 revenue bonds, 4.00%, due July 1, 2043	2023	-	4,765,000
Series 2021A facility revenue refunding bonds, 2.00%, due July 1, 2036	N/A	1,280,000	-
Series 2021A facility revenue refunding bonds, 2.25%, due July 1, 2040	N/A	1,380,000	-
Series 2021A facility revenue refunding bonds, 2.375%, due July 1, 2043	N/A	400,000	-
Series 2021B facility revenue refunding bonds, 2.39%, due July 1, 2036	N/A	3,830,000	-
Series 2021B facility revenue refunding bonds, 3.02%, due July 1, 2043	N/A	6,275,000	-
Series 2021 NSP facility revenue bonds, 4.00%, due July 1, 2045	2031	5,480,000	-
Total Revenue Bonds		$62,220,000	$27,165,000

Revenue and Refunding Bonds

The 2010B bonds were issued as “Build America Bonds” (BABs) under the provisions of the American Recovery and Reinvestment Act of 2009. The BABs program provides for a cash subsidy payment from the United States Treasury equal to 29.3 percent of the interest payable on BABs in 2021. On April 1, 2021, DEC defeased the 2010B Bond Series, voiding their eligibility in the BABs program, and the final subsidy payment was received on June 6, 2021.

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.

In 2021, DEC defeased a total of $27,165,000 of revenue bonds, including $10,405,000 of 2010B Series and $16,760,000 of 2013 Series. On April 1, 2021, DEC issued $63,445,000 of Revenue Bonds in three series. The Series 2021A Facility Revenue Refunding Bonds with a principal amount of $27,875,000, the Taxable Series 2021B Facility Revenue Refunding Bonds with a principal amount of $17,870,000 and the Series 2021 NSP Facility Revenue Bonds with a principal amount of $17,700,000. The refinancing of all of DEC's existing bonds resulted in a total debt service payment reduction of approximately $3.8 million and a net present value debt service savings of approximately $2.3 million for DEC customers. As a result of these transactions, the assets and related liabilities for the defeased bonds are not included in DEC's financial statements. At December 31, 2021, there were $16,190,000 of refunded 2013 Series Bonds outstanding.

Line of Credit

During 2015, DEC entered into a line of credit agreement for up to $10,000,000 of tax-exempt borrowings with J.P. Morgan Chase Bank, N.A. In 2017, DEC extended the line of credit agreement and increased the maximum available amount to $50,000,000. The agreement was amended again in 2021 to reduce the available amount to $5,000,000 and allow DEC to borrow on both a taxable and tax-exempt basis. The line of credit is in place to provide short-term liquidity as well as interim financing for current and future capital investments. Tax-exempt borrowings on this line bear interest at 80 percent of the one-month LIBOR rate, plus a contractually agreed-upon spread which was 0.90 percent at December 31, 2021. Taxable borrowings bear interest at 100 percent of the one-month LIBOR rate, plus a contractually agreed-upon spread which was 1.10 percent at December 31, 2021. 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 $0 and $46,750,000 as of December 31, 2021 and 2020, respectively.

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 and are included within other noncurrent assets on the balance sheet. 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 2.462% and 2.949% for 2021 and 2020, respectively. Monthly principal and interest payments of $18,482 began in January 2020 and will continue through August 2022. The outstanding balance as of December 31, 2021 and 2020 was $131,688 and $347,337, respectively.

The debt balances at December 31, 2021 and 2020 and debt activity for the years ended December 31, 2021 and 2020 were as follows:

	January 1, 2021	Additions	Reductions	December 31, 2021	Due Within One Year
Revenue bonds	$ 27,165,000	$ 63,445,000	$ (28,390,000)	$ 62,220,000	$ 3,150,000
Bond issuance premiums	229,102	9,783,139	(1,105,291)	8,906,950	-
Line of credit	46,750,000	-	(46,750,000)	-	-
Note payable - direct borrowing	347,337	-	(215,649)	131,688	131,688
Totals	$ 74,491,439	$ 73,228,139	$ (76,460,940)	$ 71,258,638	$ 3,281,688

	January 1, 2020	Additions	Reductions	December 31, 2020	Due Within One Year
Revenue bonds	$ 28,930,000	$ -	$ (1,765,000)	$ 27,165,000	$ 1,285,000
Bond issuance premiums	256,388	-	(27,286)	229,102	-
Line of credit	43,750,000	3,000,000	-	46,750,000	46,750,000
Note payable - direct borrowing	464,362	91,061	(208,086)	347,337	215,649
Totals	$ 73,400,750	$ 3,091,061	$ (2,000,372)	$ 74,491,439	$ 48,250,649

Principal and interest requirements to maturity on debt activity at December 31, 2021, were as follows:

Year Ending	Revenue Bonds		Note Payable - Direct Borrowing	
December 31,	Principal	Interest	Principal	Interest
2022	3,150,000	2,481,190	131,688	1,111
2023	3,290,000	2,359,334	-	-
2024	3,405,000	2,229,948	-	-
2025	3,430,000	2,093,128	-	-
2026	3,585,000	1,947,896	-	-
2027-2031	18,385,000	7,243,113	-	-
2032-2036	9,850,000	4,127,293	-	-
2037-2041	10,455,000	2,374,700	-	-
2042-2045	6,670,000	553,501	-	-
Totals	$ 62,220,000	$ 25,410,103	$ 131,688	$ 1,111

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 amount of payments to LES for management, operations and maintenance services was approximately $2,194,000 and $2,331,000 in 2021 and 2020, respectively. The total amount of payments to LES for energy was approximately $889,000 and $777,000 in 2021 and 2020, respectively. The total amount of payments to LES for the SAP Project was approximately $222,000 in 2021 and 2020, annually. Accounts payable to LES were approximately $179,000 or 30 percent and $218,000 or 17 percent of the total accounts payable balance at December 31, 2021 and 2020, 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 2021: 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 for 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, 2021 and 2020 are presented as follows:

District Energy Corporation
Notes to Financial Statements
December 31, 2021 and 2020

CONDENSED BALANCE SHEET

	2021	2020
Assets		
Current Assets	$ 1,560,520	$ 1,594,899
Noncurrent Assets	808,834	372,827
Capital Assets	20,689,750	21,302,379
Total Assets	$ 23,059,104	$ 23,270,105
Liabilities		
Current Liabilities	943,083	22,555,974
Noncurrent Liabilities	21,379,444	27,655
Total Liabilities	22,322,527	22,583,629
Net Position		
Net Investment in Capital Assets	(467,898)	(597,106)
Restricted	197,686	7,249
Unrestricted	1,006,789	1,276,333
Total Net Position	736,577	686,476
Total Liabilities and Net Position	$ 23,059,104	$ 23,270,105

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

	2021	2020
Operating Revenues	$ 2,522,578	$ 2,570,272
Operating Expenses	1,925,696	1,817,139
Operating Income	596,882	753,133
Interest Expense	(547,560)	(400,161)
Other Non-Operating Revenues	779	14,265
Total Non-Operating Expenses	(546,781)	(385,896)
Change in Net Position	50,101	367,237
Net Position - Beginning of Year	686,476	319,239
Net Position - End of Year	$ 736,577	$ 686,476

CONDENSED STATEMENT OF CASH FLOWS

	2021	2020
Cash Flows from Operating Activities	$ 1,176,957	$ 1,301,688
Cash Flows from Capital and Related Financing	(828,914)	(2,909)
Cash Flows from Investing Activities	(1,023,742)	(254,692)
Net Change in Cash and Cash Equivalents	(675,699)	1,044,087
Cash and Cash Equivalents - Beginning of Year	1,271,990	227,903
Cash and Cash Equivalents - End of Year	$ 596,291	$ 1,271,990