# District Energy Corporation

Independent Auditor's Report and Financial Statements

December 31, 2023 and 2022

# District Energy Corporation

**December 31, 2023 and 2022**

## Contents

FORVIS

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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, 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.

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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

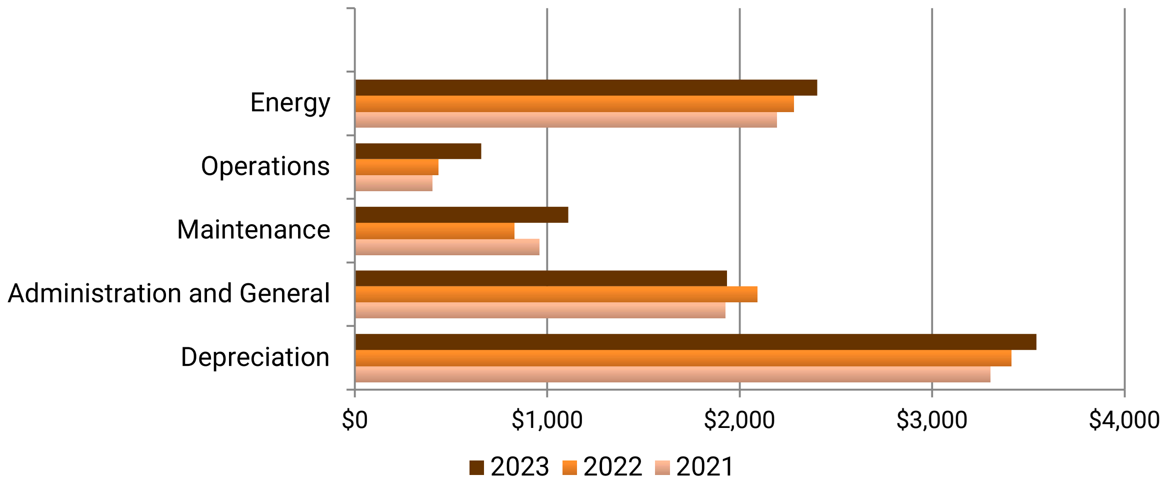
### Comparison of 2023 to 2022

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**

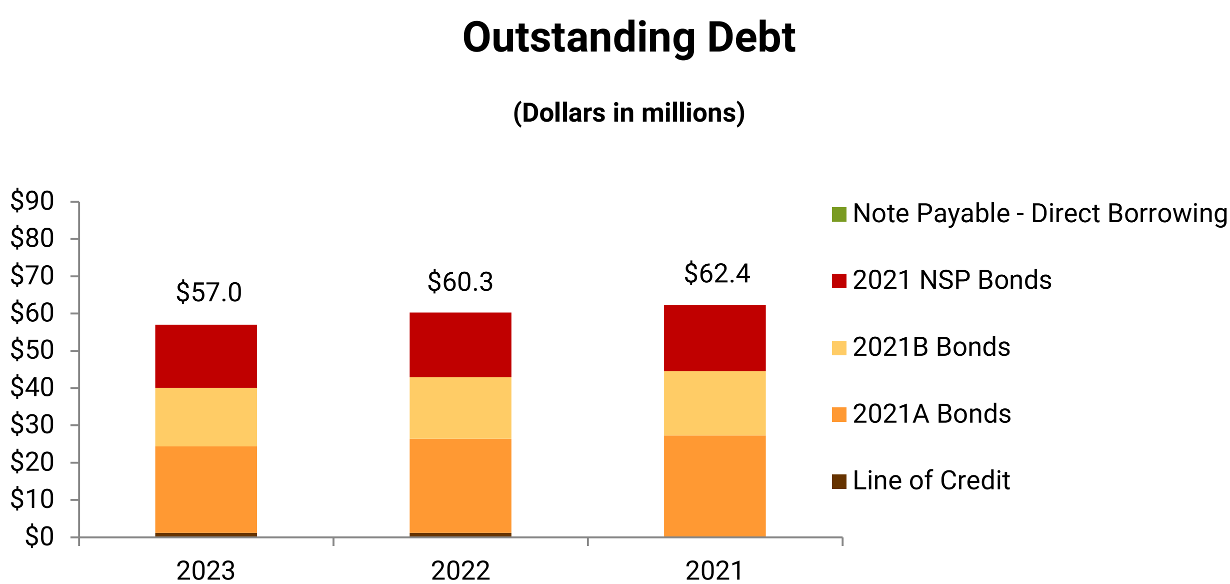
Cash inflows from operating activities for 2022 were $7,100,570, an increase of $1,787,662 from 2021, primarily due to higher customer revenues received. Cash outflows used for capital and related financing activities were $6,022,866, a decrease of $258,233 from 2021, due to financing activities during 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

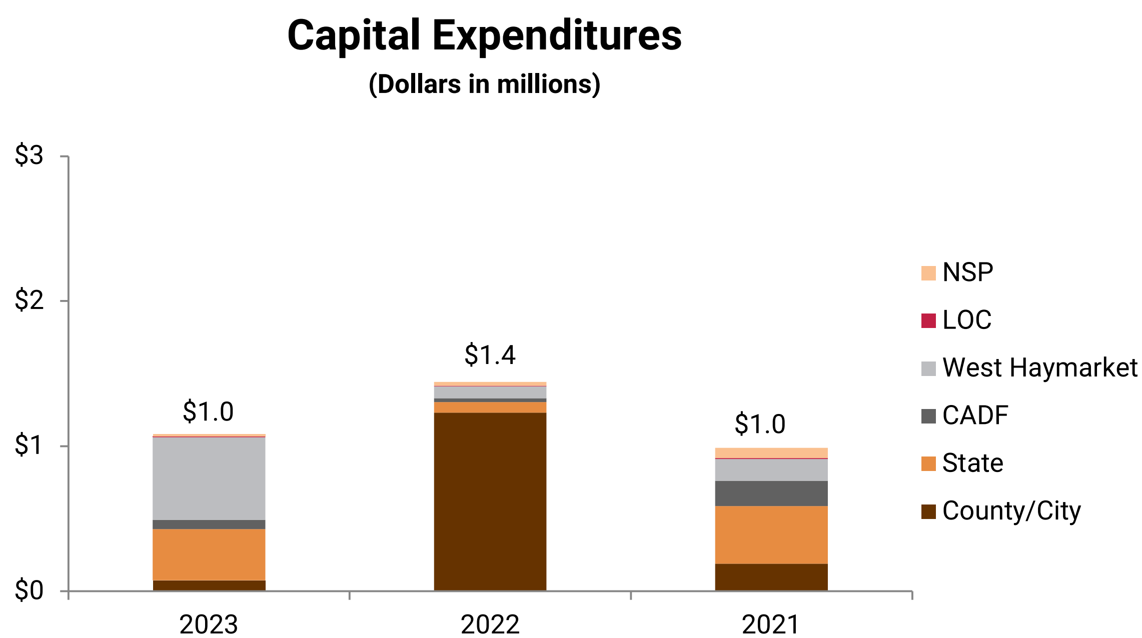
The following table reflects the calculation of the debt service coverage ratio. The ratio reflects DEC's year-end funds available to pay its debt service. DEC's bond resolution establishes a debt service coverage requirement of 1.0.

| | 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 |

## 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:

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

| December 31, 2022 | Carrying Value | Maturities in Years: Less Than 1 | Maturities in Years: 1-5 | Credit Ratings Moody's / S&P | Fair Value Hierarchy Level |
|---|---|---|---|---|---|
| Money market mutual funds | $ 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% |

### *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 |

# District Energy Corporation
## Notes to Financial Statements
## Years Ended December 31, 2023 and 2022

### 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 |