

# **Nebraska Utility Corporation**

(A Component Unit of the University of Nebraska)  
Independent Auditor's Report and Financial Statements

June 30, 2022 and 2021

**FORVIS**

**Nebraska Utility Corporation**  
**(A Component Unit of the University of Nebraska)**  
**June 30, 2022 and 2021**

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# FORVIS

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## Independent Auditor's Report

Board of Directors  
Nebraska Utility Corporation  
Lincoln, Nebraska

### ***Opinion***

We have audited the financial statements of Nebraska Utility Corporation, a component unit of the University of Nebraska, which comprise the balance sheets as of June 30, 2022 and 2021, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of Nebraska Utility Corporation, as of June 30, 2022 and 2021, 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 Nebraska Utility 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 Nebraska Utility 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made non the basis of these 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 Nebraska Utility 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 Nebraska Utility 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.

**FORVIS, LLP**

Lincoln, Nebraska  
September 15, 2022

## Management's Discussion and Analysis (MD&A) (Unaudited)

### SIGNIFICANT EVENTS

- Work continued on replacement of the 60,000 pounds/hour boiler (#3) with two 30,000 pounds/hour boilers on East campus. The project includes replacing deaerator and feedwater pumps, which have reached the end of their useful life, and installing a condensate polisher. The project will provide greater energy efficiency and fault tolerance.
- The replacement of the existing boiler (#6) on City campus by new boiler (#8), which has a capacity of 80,000 pounds/hour at 250 psi, is underway. Boiler (#6) demolition is almost complete. The delivery of the new boiler (#8) occurred in June 2022 and parts are being assembled. This new boiler is set to provide adequate steam production to the campus.
- The project to improve Chiller 4 efficiency is in process on City campus. Evaporator tube installation and piping modification are complete, and gearbox installation is in process. Performance testing will begin after installation of the gearbox. The estimated annual savings from the completion of this project is about \$100,000, depending on run-time. This project will increase the lifespan and reliability of equipment.

### FINANCIAL REPORT OVERVIEW

The information provided in the MD&A section of the Financial Report is provided to explain activities, plans and events that impacted Nebraska Utility Corporation's (NUCorp) financial position and operating results for the 12-month periods ended June 30, 2022, 2021 and 2020. 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 NUCorp.

**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 versus 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 income and expense. This statement is useful in analyzing the financial health of the organization.

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

**Notes to Financial Statements** - The notes are an explanation of information within the Financial Statements

## FINANCIAL POSITION AND OPERATING RESULTS

The following table summarizes the financial position as of June 30:

### CONDENSED BALANCE SHEETS

	2022	2021	2020
Current Assets	\$ 9,122,757	\$ 8,073,491	\$10,051,118
Noncurrent Assets	14,900,352	16,621,762	15,375,753
Capital Assets	71,220,835	66,003,404	62,312,692
Deferred Outflows of Resources	-	123,559	205,975
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 95,243,944</b>	<b>\$ 90,822,216</b>	<b>\$87,945,538</b>
Current Liabilities	\$ 5,214,061	\$ 6,219,328	\$ 6,646,341
Noncurrent Liabilities	12,000,000	12,047,987	14,134,083
<b>TOTAL LIABILITIES</b>	<b>\$ 17,214,061</b>	<b>\$18,267,315</b>	<b>\$20,780,424</b>
Net Investment in Capital Assets	\$ 57,031,712	\$51,392,036	\$ 46,456,598
Restricted	5,787,795	6,439,296	5,525,956
Unrestricted	15,210,376	14,723,569	15,182,560
<b>TOTAL NET POSITION</b>	<b>78,029,883</b>	<b>72,554,901</b>	<b>67,165,114</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 95,243,944</b>	<b>\$90,822,216</b>	<b>\$87,945,538</b>

### Comparison of 2022 to 2021

Total assets and deferred outflows of resources in 2022 increased \$4,421,728 or 5% over 2021. Current assets increased primarily as a result of increased short term investment activities which led to an increase in the cash and cash equivalents. Capital assets increased \$5,217,431 due to an increase in construction work in progress and plant assets; offset by an increase in accumulated depreciation. Deferred outflows of resources, which consists of the deferred loss on refunded debt, decreased \$123,559 due to amortization of this balance.

Total liabilities in 2022 decreased \$1,053,254 or 6% below 2021 mainly due to a reduction of long-term debt. Current liabilities decreased \$1,005,267 due primarily to the final payment on the 2010 Bond; offset by an increase in accounts payable due to year-end accruals. Noncurrent liabilities decreased \$47,987 primarily due to final amortization of the 2010 Bond premium.

Net position in 2022 increased \$5,474,982 or 8% over 2021 based on results of operations.

### Comparison of 2021 to 2020

Total assets and deferred outflows of resources in 2021 increased \$2,876,678 or 3% over 2020. Current assets decreased primarily due to a decrease in accounts receivables from the University of Nebraska Lincoln (UNL) reflecting reduced energy sales as a result of lower campus utilization and weather. Capital assets increased \$3,690,712 due to an increase in construction work in progress and plant assets; offset by an increase in accumulated depreciation. Deferred outflows of resources, which consists of the deferred loss on refunded debt, decreased \$82,416 due to amortization of this balance.

Total liabilities in 2021 decreased \$2,513,109 or 12% below 2020 mainly due to a reduction of long-term debt. Current liabilities decreased \$427,013 due primarily to a decrease in payables to UNL as a result of lower natural gas, electrical and labor expenses. Noncurrent liabilities decreased \$2,086,096 primarily due to a principal payment for the revenue bonds.

Net position in 2021 increased \$5,389,787 or 8% over 2020 based on results of operations.

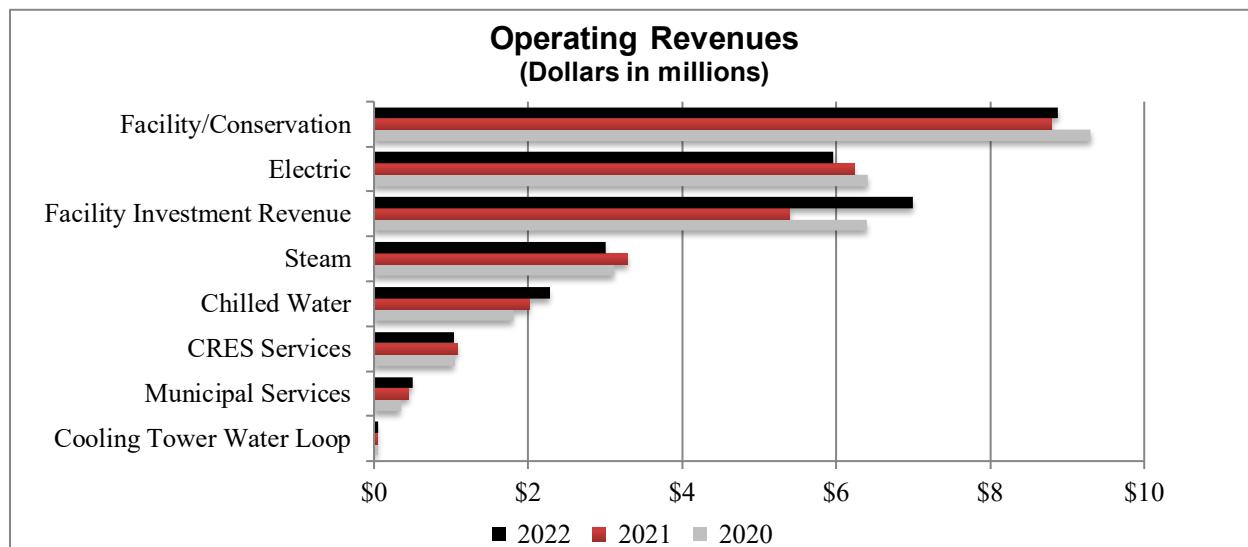
The following table summarizes operating results for the fiscal years ended June 30:

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

	2022	2021	2020
Operating Revenues	\$ 28,717,919	\$ 27,307,704	\$ 28,482,485
Operating Expenses	23,021,069	21,617,765	22,018,002
Operating Income	5,696,850	5,689,939	6,464,483
Interest Expense (Net of Interest Rate Subsidy)	(230,724)	(271,245)	(318,913)
Other Non-Operating Income (Expense)	8,856	(28,907)	326,627
Total Non-Operating Income (Expense)	(221,868)	(300,152)	7,714
CHANGE IN NET POSITION	\$ 5,474,982	\$ 5,389,787	\$ 6,472,197

#### OPERATING REVENUES

The following chart illustrates operating revenues by category.



#### Comparison of 2022 to 2021

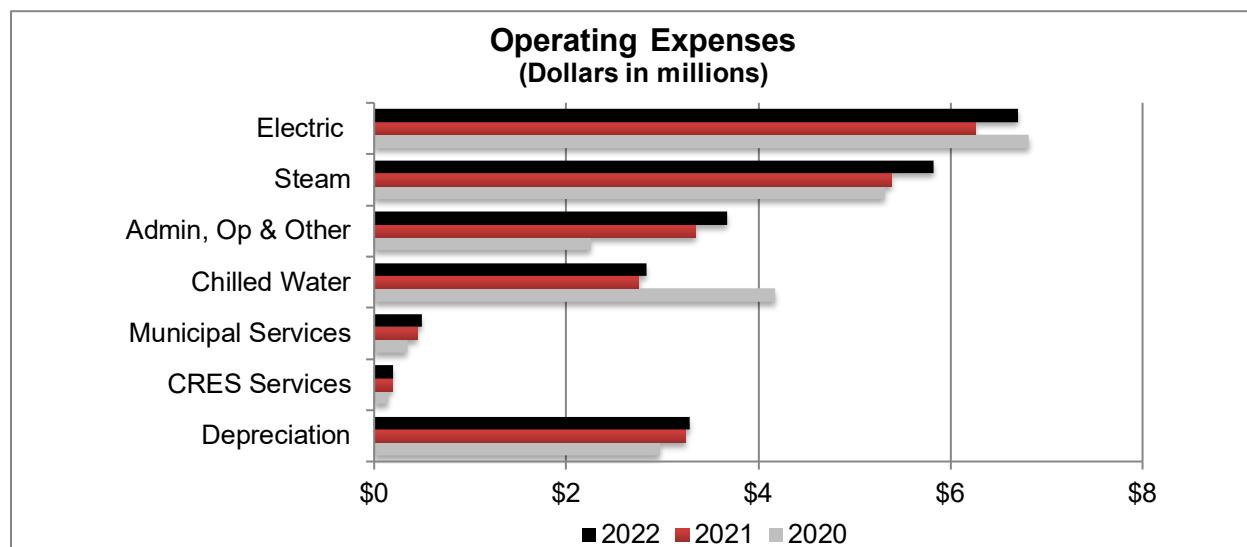
Operating revenues for 2022 were \$28,717,919, an increase of \$1,410,215 from 2021 operating revenues of \$27,307,704. The increase was primarily due to increased fixed charges and commodity sales variations.

## Comparison of 2021 to 2020

Operating revenues for 2021 were \$27,307,704, a decrease of \$1,174,781 from 2020 operating revenues of \$28,482,485. The decrease was primarily due to reduced fixed charges and commodity sales variations.

## OPERATING EXPENSES

The following chart illustrates operating expenses by category.



## Comparison of 2022 to 2021

Operating expenses for 2022 were \$23,021,069, an increase of \$1,403,304 from 2021 operating expenses of \$21,617,765. The increases in general expenses, steam and electric services were primarily due to higher maintenance costs. These increases were offset by lower water and sewer distribution expenses as a result of lower sales and plant consumption.

## Comparison of 2021 to 2020

Operating expenses for 2021 were \$21,617,765, a decrease of \$400,237 from 2020 operating expenses of \$22,018,002. The decrease was due to lower natural gas, electrical and labor expenses. These decreases were offset by higher steam service expenses as a result of increased repairs and maintenance.

## CASH AND FINANCING ACTIVITIES

Cash and cash equivalents increased \$15,560,209 and \$1,628,403 for fiscal years 2022 and 2021 respectively, and decreased \$1,863,703 for fiscal year 2020. The following table summarizes the cash flows by activities for the fiscal years ended June 30:

## CONDENSED STATEMENTS OF CASH FLOWS

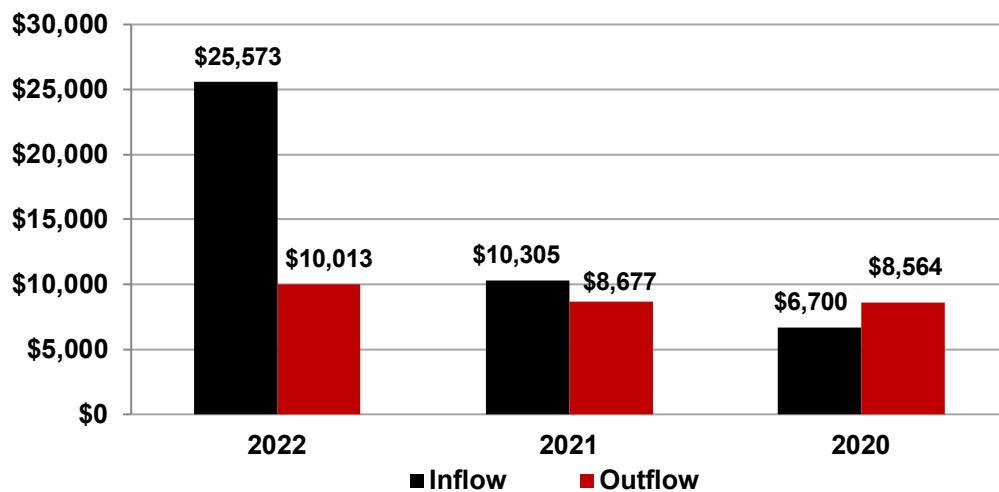
	2022	2021	2020
Cash Flows from Operating Activities	\$ 9,222,417	\$ 10,204,314	\$ 6,699,850
Cash Flows from Capital and Related Financing	(10,013,354)	(8,676,775)	(3,931,426)
Cash Flows from Investing Activities	16,351,146	100,864	(4,632,127)
CHANGE IN CASH & CASH EQUIVALENTS	\$ 15,560,209	\$ 1,628,403	\$ (1,863,703)

**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 investment income.

## Annual Cash Flows (Dollars in thousands)



### Comparison of 2022 to 2021

Cash flows from operating activities for 2022 decreased \$981,897 from 2021 as a result of the timing of payments from UNL. Cash flows used for capital and related financing activities for 2022 increased \$1,336,579 from 2021 primarily due to an increase in cash used for acquisition and construction of capital assets. 2022 cash flows from investing activities increased \$16,250,282 from 2021 due to the increased amount of maturities and sales of investments.

### Comparison of 2021 to 2020

Cash flows from operating activities for 2021 increased \$3,504,464 from 2020 as a result of the timing of payments from UNL. Cash flows used for capital and related financing activities for 2021 increased \$4,745,349 from 2020 primarily due to an increase in cash used for acquisition and construction of capital assets. 2021 cash flows from investing activities decreased from 2020 due to less maturities and sales of investments.

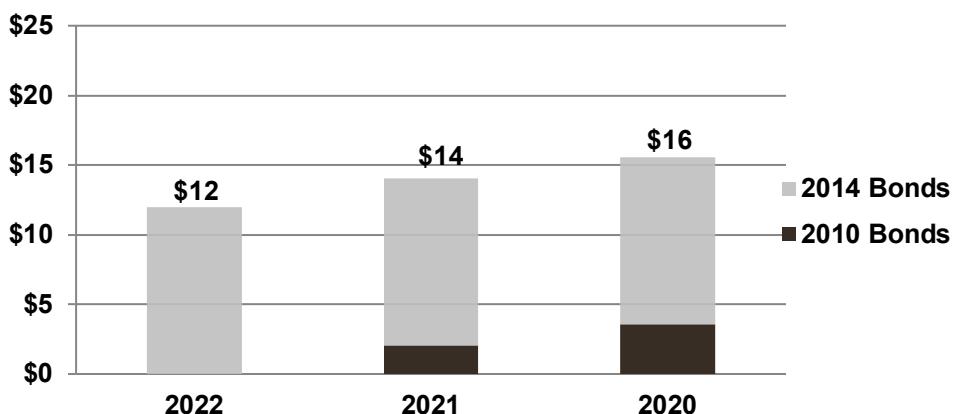
## FINANCING

Sufficient liquidity is maintained to ensure working capital is available to meet operating and capital obligations and to fund operating reserves to the targeted levels. Financial projections indicate that NUCorp will maintain adequate liquidity targets over the upcoming five-year period.

There were no bond issuances in 2022 or 2021.

Detail on NUCorp's debt balances and activity are included in Note 5 in the Notes to Financial Statements section of this report. The following chart illustrates detail for the outstanding debt as of June 30.

**Outstanding Debt**  
(Dollars in millions)



## RATINGS

In establishing a company's credit rating, bond ratings agencies take into account both operating characteristics and financial strength. Moody's Investors Service Inc. (Moody's) and Standard & Poor's Ratings Group (S&P) assigned ratings for the 2014 (Series B) bond issue. The 2014 QECB (Series A) were privately issued and did not require bond ratings. NUCorp's credit ratings in effect on June 30, 2022 were as follows:

	S&P	Moody's
2014 QECB (Series B)	AA	Aa1

Bond reserves for the outstanding bonds are set in accordance with terms stated upon issuance. All reserves are fully funded.

## DEBT SERVICE COVERAGE

The following table reflects the calculation of the debt service coverage ratio. The ratio reflects NUCorp's year-end funds available to pay its debt service. NUCorp's bond resolution establishes a debt service coverage requirement of 1.10.

	2022	2021	2020
Operating Revenues	<b>\$ 28,717,919</b>	\$ 27,307,704	\$ 28,482,485
Administration	(911,067)	(909,250)	(948,449)
Steam	(5,821,796)	(5,389,202)	(5,310,025)
General Operating and Maintenance	(1,484,489)	(1,037,975)	(1,093,790)
Electric	(6,707,025)	(6,255,739)	(6,810,702)
Water/Sewer	(195,154)	(318,377)	(173,079)
Chilled Water	(2,839,867)	(2,756,637)	(3,143,154)
Municipal Utility Services	(497,767)	(446,113)	(347,738)
Cooling Tower Services	(1,032,255)	(1,031,445)	(1,029,209)
Cooling Tower Water Loop	(48,131)	(44,962)	(42,983)
CRES	(200,100)	(187,026)	(141,772)
Total Operating Expenses (excluding depreciation)	<b>(19,737,651)</b>	(18,376,726)	(19,040,901)
Net Operating Revenue	<b>8,980,268</b>	8,930,978	9,441,584
Investment Income	<b>21,162</b>	17,432	342,131
Earnings Available for Debt Service	<b>\$ 9,001,430</b>	\$ 8,948,410	\$ 9,783,715
Debt Service	<b>\$ 1,807,014</b>	\$ 2,650,109	\$ 2,426,895
<b>DEBT SERVICE COVERAGE</b>	<b>4.98</b>	3.38	4.03

## CAPITAL PROGRAM

The following table summarizes capital investments for the fiscal years ended June 30 (2022, 2021 and 2020):

Campus	Actual		
	2022	2021	2020
City	\$ 5,111,380	\$ 3,045,076	\$ 2,257,433
East	3,202,752	3,627,941	654,289
Common	186,717	292,449	50,200
<b>Totals</b>	<b>\$ 8,500,849</b>	<b>\$ 6,965,466</b>	<b>\$ 2,961,922</b>

Actual and budgeted capital expenditures for 2020 through 2023 included the following:

- City Campus:
  - Replacement of Boiler (#6) which was installed in 1969 and has reached the end of its useful life. A new boiler (#8) is required to meet campus demand while maintaining adequate steam production redundancy.
  - Repair and upgrade of Chiller 4 to improve efficiency, performance, reliability, and lifespan of this unit. It also adds redundancy to the chilled water production system for City Campus.
  - Construction of a new mechanical maintenance shop due to the Boiler (#6) project displacing the current maintenance shop.
  - Improvement to the steam tunnel infrastructure to increase safety, reliability, and longevity of the steam distribution system.
  - Replacement the steam line tunnel inside Nebraska Hall with a direct buried service to improve safety and reliability of steam service in this area.
- East Campus:
  - Installation of new sensors, actuators, and PLC controls on steam equipment at the East campus utility plant will lead to full automation and dispatch of steam production equipment.
  - Steam tunnel infrastructure improvements to increase safety, reliability, and longevity of the steam distribution system.
  - Upgrade of Utility Plant Boiler (#3) which is nearing the end of its useful life.
- Common
  - Implementation of data historian and analytic software to perform improved analytics, visualization, reporting and system optimization.
  - Extension of chilled water to Mussel Hall, Stadium Parking garage, and the Carson center to replace failing stand-alone cooling systems and allow for better demand management.

## CONTACT INFORMATION

This financial report is designed to provide a general overview of NUCorp's financial status for the fiscal periods ending 2022, 2021 and 2020. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the NUCorp Chief Financial Officer at 9445 Rokeby Rd., Lincoln, Nebraska 68526.

**Nebraska Utility Corporation**  
**(A Component Unit of the University of Nebraska)**  
**Balance Sheets**  
**June 30, 2022 and 2021**

**Assets and Deferred Outflows of Resources**

	<b>2022</b>	<b>2021</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 6,773,610	\$ 3,912,629
Restricted cash and investments	248,065	2,172,500
Accounts receivable	1,758,372	1,809,793
Accrued interest receivable	8,140	5,358
Inventories	334,570	173,211
Total current assets	<u>9,122,757</u>	<u>8,073,491</u>
<b>Noncurrent Assets</b>		
Cash and investments	9,037,057	11,129,661
Restricted cash and investments	5,787,796	5,404,296
Costs recoverable from future billings	75,499	87,805
Total noncurrent assets	<u>14,900,352</u>	<u>16,621,762</u>
<b>Capital Assets</b>		
Utility plant	87,715,837	87,228,195
Accumulated depreciation	(32,875,935)	(29,592,517)
Construction work-in-progress	16,380,933	8,367,726
Total capital assets	<u>71,220,835</u>	<u>66,003,404</u>
<b>Deferred Outflows of Resources</b>		
Deferred loss on refunded debt	-	123,559
Total assets and deferred outflows of resources	<u>\$ 95,243,944</u>	<u>\$ 90,822,216</u>

**Liabilities and Net Position**

	<b>2022</b>	<b>2021</b>
<b>Current Liabilities</b>		
Accounts payable	\$ 4,965,995	\$ 4,046,828
Current portion of long-term debt	-	2,035,000
Accrued interest payable	248,066	137,500
Total current liabilities	<u>5,214,061</u>	<u>6,219,328</u>
<b>Long-term Debt, Net</b>	<u>12,000,000</u>	<u>12,047,987</u>
Total liabilities	<u>17,214,061</u>	<u>18,267,315</u>
<b>Net Position</b>		
Net investment in capital assets	57,031,712	51,392,036
Restricted for debt service	5,787,795	6,439,296
Unrestricted	15,210,376	14,723,569
Total net position	<u>78,029,883</u>	<u>72,554,901</u>
Total liabilities and net position	<u>\$ 95,243,944</u>	<u>\$ 90,822,216</u>

**Nebraska Utility Corporation**  
**(A Component Unit of the University of Nebraska)**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended June 30, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>Operating Revenues</b>	<b>\$ 28,717,919</b>	<b>\$ 27,307,704</b>
<b>Operating Expenses</b>		
Administration	911,067	909,250
Steam	5,821,796	5,389,202
General operating and maintenance	1,484,489	1,037,975
Electric	6,707,025	6,255,739
Water/sewer	195,154	318,377
Chilled water	2,839,867	2,756,637
Municipal utility services	497,767	446,113
Cooling tower water	1,032,255	1,031,445
Cooling tower water loop	48,131	44,962
CRES services	200,100	187,026
Depreciation	3,283,418	3,241,039
Total operating expenses	23,021,069	21,617,765
Operating income	5,696,850	5,689,939
<b>Nonoperating Income (Expenses)</b>		
Interest expense on long-term debt	(618,599)	(659,120)
Investment income	21,162	17,432
Interest rate subsidy – QECB	387,875	387,875
Net costs recoverable	(12,306)	(12,624)
Loss on disposal of plant asset	-	(33,715)
Total nonoperating expenses	(221,868)	(300,152)
<b>Change in Net Position</b>	<b>5,474,982</b>	<b>5,389,787</b>
<b>Net position – Beginning of Year</b>	<b>72,554,901</b>	<b>67,165,114</b>
<b>Net position – End of Year</b>	<b>\$ 78,029,883</b>	<b>\$ 72,554,901</b>

**Nebraska Utility Corporation**  
**(A Component Unit of the University of Nebraska)**  
**Statements of Cash Flows**  
**Years Ended June 30, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>Operating Activities</b>		
Received from sales to customers and users	\$ 28,769,787	\$ 29,651,974
Paid to suppliers for goods and services	(19,547,370)	(19,447,660)
Net cash flow provided by operating activities	<u>9,222,417</u>	<u>10,204,314</u>
<b>Capital and Related Financing Activities</b>		
Capital expenditures for utility plant	(7,933,767)	(6,726,512)
Principal payments on long-term debt	(2,035,000)	(1,515,000)
Interest payments on long-term debt	(432,462)	(823,138)
Interest rate subsidy – QECB	387,875	387,875
Net cash flows used in capital and related financing activities	<u>(10,013,354)</u>	<u>(8,676,775)</u>
<b>Investing Activities</b>		
Net sales (purchases) of investments	16,306,793	(23,609)
Interest received	44,353	124,473
Net cash flows provided by investing activities	<u>16,351,146</u>	<u>100,864</u>
<b>Net Change in Cash and Cash Equivalents</b>	<u>15,560,209</u>	<u>1,628,403</u>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>5,844,854</u>	<u>4,216,451</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u><b>\$ 21,405,063</b></u>	<u><b>\$ 5,844,854</b></u>
<b>Reconciliation of Cash and Cash Equivalents to the Balance Sheets</b>		
Current assets		
Cash and cash equivalents	\$ 6,773,610	\$ 3,912,629
Restricted cash and investments	248,065	2,172,500
Noncurrent assets		
Cash and investments	9,037,057	11,129,661
Restricted cash and investments	5,787,796	5,404,296
Total cash and investments	<u>21,846,528</u>	<u>22,619,086</u>
Less: investments not classified as cash equivalents	<u>(441,465)</u>	<u>(16,774,232)</u>
	<u><b>\$ 21,405,063</b></u>	<u><b>\$ 5,844,854</b></u>

**Nebraska Utility Corporation**  
**(A Component Unit of the University of Nebraska)**  
**Statements of Cash Flows – Continued**  
**Years Ended June 30, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
Operating income	\$ 5,696,850	\$ 5,689,939
Noncash items included in operating income		
Depreciation	3,283,418	3,241,039
Changes in operating assets and liabilities		
Accounts receivable	51,421	2,344,270
Inventories	(161,359)	(80,303)
Accounts payable	<u>352,087</u>	<u>(990,631)</u>
Net cash provided by operating activities	<u><u>\$ 9,222,417</u></u>	<u><u>\$ 10,204,314</u></u>
<b>Supplemental Non-cash Activities</b>		
Capital expenditures in accounts payable	\$ 2,189,123	\$ 1,651,940

**Nebraska Utility Corporation**  
**(A Component Unit of the University of Nebraska)**  
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**Note 1: Summary of Significant Accounting Policies**

***Reporting Entity***

Nebraska Utility Corporation (NUCorp), a public benefit corporation, was organized on May 17, 2001 for the purpose of purchasing, leasing, constructing, and financing facilities and acquiring services in order to furnish energy requirements, utility and infrastructure facilities, and all related energy, utility, and infrastructure services to the University of Nebraska Lincoln (UNL). Operations commenced in January 2002. UNL is the primary user of the energy generated by NUCorp and accounts for all of NUCorp's operating revenues.

The Board of Directors consists of five members. Three members are appointed by the University of Nebraska Board of Regents and two members are appointed by Lincoln Electric System. NUCorp is included as a component unit in the financial statements of the University of Nebraska.

***Basis of Accounting and Presentation***

The financial statements of NUCorp have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The financial statements are reported using the economic resource 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.

NUCorp's accounting policies also follow the provisions of GASB Codification Section Re10, *Regulated Operations*, which permits an entity with cost-based rates to defer certain costs or income that would otherwise be recognized when incurred to the extent that the rate-regulated entity is recovering or expects to recover such amounts in rates charged to customers.

***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.

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***Cash Equivalents***

NUCorp considers all highly liquid investments with an original maturity of three months or less at the date of purchase to be cash equivalents. At June 30, 2022 and 2021, cash equivalents consisted of money market funds, short-term U.S. treasury bills and U.S. agency obligations.

***Investments and Investment Income***

NUCorp maintains various designated and restricted accounts (see Note 2) that are held for debt service obligations and future capital expenditures. Investments in money market mutual funds are carried at cost, which approximates fair value. Investments in U.S. Treasury securities and U.S. agency obligations 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 period in the fair value of investments.

***Revenue Recognition***

Revenues are recorded based on the period of customer usage. Billings for revenues are rendered on a monthly basis.

***Accounts Receivable***

Customer receivables are due entirely from UNL. An allowance for uncollectible accounts was not considered necessary at June 30, 2022 and 2021.

***Inventory Pricing***

Inventories, consisting of fuel oil, 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 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 GASB Codification Section Re10, *Regulated Operations*. At June 30, 2022 and 2021, costs recoverable from future billings were comprised entirely of costs incurred in relation to NUCorp's debt issuances.

***Capital Assets***

Capital assets are recorded at historical cost. Major outlays for utility plant are capitalized as projects are constructed. NUCorp capitalizes assets with an original cost of \$5,000 or more with asset life expectancy of more than one year. Routine maintenance, repairs and

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minor replacement costs are charged to expense as incurred. Capital assets in service are depreciated using the straight-line method over a five to twenty-five-year period.

Upon the formation of NUCorp, the existing energy assets of UNL continue to be maintained and operated by UNL staff. NUCorp reimburses UNL for operation costs. Capital investments financed with bond proceeds and operating revenues are accounted for by NUCorp.

***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 that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are 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 period-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 NUCorp's policy to use restricted resources first, then unrestricted as they are needed.

***Classification of Revenues and Expenses***

Operating revenues and expenses generally result from providing services in connection with NUCorp's principal ongoing operations. The principal operating revenues of NUCorp are charges to customers for services. Operating expenses for NUCorp include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating income and expenses.

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***Charges for Services***

Revenues are based on rates authorized by the Board of Directors. New rates are authorized annually based on the approved budget. Rate changes can occur more frequently with notice to the customer. Revenues are recognized and billed on a monthly basis as earned.

***Income Taxes***

NUCorp is a public benefit corporation established under the Nebraska Nonprofit Corporation Act and is exempt from federal and state income taxes.

**Note 2: Deposits and Investments**

***Deposits***

State statutes require banks either to give a bond or pledge government securities (types of which are specifically identified in the statutes) to NUCorp 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). Any cash deposits in excess of the \$250,000 FDIC insured limits are covered by collateral held in a pledge account for NUCorp.

***Investments***

NUCorp may invest in U.S. Government securities and agencies, federal instrumentalities of the United States, repurchase agreements, corporate issues, money market mutual funds, interest bearing time deposits or savings accounts, state and/or local government taxable and/or tax-exempt debt and other fixed term investments as designated in the NUCorp investment policy. The balance sheet classification of NUCorp's designated and restricted accounts is based on the underlying intended use of the funds.

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NUCorp had the following investments as of June 30:

	Maturities in Years			Credit Ratings Moody's / S&P
	Carrying Value	Less Than 1	1 - 5	
June 30, 2022				
Money market mutual funds	\$ 20,240,525	\$ 20,240,525	\$ -	Aaa-mf / AAAm
U.S. agency obligations	441,465	441,465	-	Aaa / AA+
	<u>\$ 20,681,990</u>	<u>\$ 20,681,990</u>	<u>\$ -</u>	

	Maturities in Years			Credit Ratings Moody's / S&P
	Carrying Value	Less Than 1	1 - 5	
June 30, 2021				
Money market mutual funds	\$ 1,741,167	\$ 1,741,167	\$ -	Aaa-mf / AAAm
U.S. agency obligations	5,843,301	5,398,583	444,718	Aaa / AA+
U.S. Treasury securities	13,629,159	13,629,159	-	Aaa / AA+
	<u>\$ 21,213,627</u>	<u>\$ 20,768,909</u>	<u>\$ 444,718</u>	

**Interest rate risk** - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. NUCorp has a formal investment policy that limits investment maturities with the intent of managing its exposure to fair value losses arising from increasing interest rates. It is NUCorp's principal investment strategy 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. 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 June 30, 2022 and 2021 met minimum credit ratings as required by NUCorp's investment policy.

**Custodial credit risk** - For an investment, custodial credit risk is that, in the event of a failure of the counterparty, NUCorp 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 NUCorp's name, as required by the investment policy.

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

<b>Investment Type</b>	<b>Portfolio Composition</b>	<b>Limits of Individual Issuers</b>	<b>Maturity Limitations</b>
U.S. Government securities	100%	None	10 years
U.S. Government agencies	100%	None	10 years
Federal instrumentalities	100%	None	10 years
Instrumentalities of the U.S.	20%	5%	10 years
Interest-bearing time deposit or savings accounts	100%	15%	5 years
Repurchase agreements	50%	15%	90 days
Corporate issues	50%	5%	
Bankers' 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

NUCorp had the following investment concentrations as of June 30:

	<b>2022</b>	<b>2021</b>
U.S. sponsored agency obligations		
Federal Farm Credit Banks	2.13%	27.55%

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### ***Summary of Carrying Values***

The carrying values of deposits and investments were included in the balance sheets as of June 30 as follows:

	2022	2021
Deposits	\$ 1,164,538	\$ 1,405,459
Investments	<u>20,681,990</u>	<u>21,213,627</u>
	<u><u>\$ 21,846,528</u></u>	<u><u>\$ 22,619,086</u></u>
	2022	2021
Current assets		
Cash and cash equivalents		
Operating funds	\$ 6,773,610	\$ 3,912,629
Restricted cash and investments		
Bond principal and interest funds	248,065	2,329,963
Noncurrent assets		
Cash and investments - construction funds	9,037,057	11,129,661
Restricted cash and investments		
Bond reserve funds	-	1,075,746
Bond principal and interest funds	<u>5,787,796</u>	<u>4,171,087</u>
	<u><u>\$ 21,846,528</u></u>	<u><u>\$ 22,619,086</u></u>

### **Note 3: 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

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***Recurring Measurements***

The following table presents the fair value measurements of 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 June 30, 2022 and 2021:

<b>June 30, 2022</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
U.S. Agency obligations	\$ -	\$ 441,465	\$ -	\$ 441,465
Totals	<u>\$ -</u>	<u>\$ 441,465</u>	<u>\$ -</u>	<u>\$ 441,465</u>

<b>June 30, 2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
U.S. Agency obligations	\$ -	\$ 5,843,301	\$ -	\$ 5,843,301
U.S. Treasury securities	<u>\$ -</u>	<u>13,629,159</u>	<u>\$ -</u>	<u>13,629,159</u>
Totals	<u>\$ -</u>	<u>\$ 19,472,460</u>	<u>\$ -</u>	<u>\$ 19,472,460</u>

**Note 4: Capital Assets**

Capital assets balances as of June 30 and activity for the fiscal years ended June 30 were as follows:

	<b>July 1, 2021</b>	<b>Increase</b>	<b>Decrease</b>	<b>Transfers</b>	<b>June 30, 2022</b>
Construction work-in-progress	\$ 8,367,726	\$ 8,377,436	\$ -	\$ (364,229)	\$ 16,380,933
Utility plant	87,228,195	123,413	-	364,229	87,715,837
Less: accumulated depreciation	<u>(29,592,517)</u>	<u>(3,283,418)</u>	<u>-</u>	<u>-</u>	<u>(32,875,935)</u>
Totals	<u>\$ 66,003,404</u>	<u>\$ 5,217,431</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,220,835</u>

	<b>July 1, 2020</b>	<b>Increase</b>	<b>Decrease</b>	<b>Transfers</b>	<b>June 30, 2021</b>
Construction work-in-progress	\$ 2,355,821	\$ 6,903,225	\$ -	\$ (891,320)	\$ 8,367,726
Utility plant	86,866,449	62,241	(591,815)	891,320	87,228,195
Less: accumulated depreciation	<u>(26,909,578)</u>	<u>(3,241,039)</u>	<u>558,100</u>	<u>-</u>	<u>(29,592,517)</u>
Totals	<u>\$ 62,312,692</u>	<u>\$ 3,724,427</u>	<u>\$ (33,715)</u>	<u>\$ -</u>	<u>\$ 66,003,404</u>

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**Note 5: Long-Term Debt**

The outstanding revenue bonds and direct placement bonds contain a provision that in an event of default, owners of not less than 25% of the principal amount of the bonds outstanding can appoint a receiver, who if empowered, can bring suit against NUCorp for any principal and interest payments that are delinquent.

The official statement defines an event of default as missing principal and/or interest payments on the due date for a period of 30 days, failure to observe and perform any of its other covenants, conditions or agreements under the resolution within 90 days of receipt of written notice from the owners of not less than 25% in aggregate principal amount of bonds then outstanding, failure of the corporation to generally pay its debts as they become due, or failure to act within 90 days of action brought against the corporation under the Federal bankruptcy laws, or any other applicable Federal or state bankruptcy, insolvency or similar law. These bonds are uncollateralized.

***Revenue Bonds***

Revenue bonds are payable from and secured by a pledge of NUCorp's revenues subject to the prior payment therefrom of the operations and maintenance expenses. All bond proceeds are utilized to finance capital construction costs.

NUCorp's outstanding revenue bonds consist of Series 2014B totaling \$5,500,000 as of June 30, 2022. These revenue bonds are secured by the net revenues of NUCorp.

***Direct Placement Bonds***

NUCorp's outstanding direct placement revenue bonds consist of Series 2014A totaling \$6,500,000 as of June 30, 2022. These direct placement revenue bonds are secured by the net revenues of NUCorp.

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Long-term debt consisted of the following as of June 30:

	Date Callable	2022	2021
<b>Revenue Bonds</b>			
Series 2010 bonds, due in varying amounts through 2022, interest at 1.00% to 5.00%	2021	\$ -	\$ 2,035,000
Series 2014B bonds, due on January 1, 2033, interest at 5.00%	2024	5,500,000	5,500,000
<b>Revenue Bonds (direct placement)</b>			
Series 2014A bonds, due on January 1, 2033, interest at 3.40%	Anytime	6,500,000	6,500,000
Net unamortized bond premiums		-	47,987
Less: current maturities		-	(2,035,000)
		<u>\$ 12,000,000</u>	<u>\$ 12,047,987</u>

Long-term debt activity for the fiscal years ended June 30 was as follows:

	July 1, 2021	Increase	Decrease	June 30, 2022	Due Within One Year
Revenue bonds	\$ 7,535,000	\$ -	\$(2,035,000)	\$ 5,500,000	\$ -
Revenue bonds (direct placement)	6,500,000	-	-	6,500,000	-
<b>Total</b>	<b><u>\$ 14,035,000</u></b>	<b><u>\$ -</u></b>	<b><u>\$(2,035,000)</u></b>	<b><u>\$12,000,000</u></b>	<b><u>\$ -</u></b>

	July 1, 2020	Increase	Decrease	June 30, 2021	Due Within One Year
Revenue bonds	\$ 9,050,000	\$ -	\$(1,515,000)	\$ 7,535,000	\$ 2,035,000
Revenue bonds (direct placement)	6,500,000	-	-	6,500,000	-
<b>Total</b>	<b><u>\$ 15,550,000</u></b>	<b><u>\$ -</u></b>	<b><u>\$(1,515,000)</u></b>	<b><u>\$14,035,000</u></b>	<b><u>\$ 2,035,000</u></b>

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Debt service requirements as of June 30, 2022 were as follows:

<b>Year Ending June 30,</b>	<b>Revenue Bonds</b>			<b>Revenue Bonds (Direct Placement)</b>		
	<b>Principal</b>	<b>Interest</b>		<b>Principal</b>	<b>Interest</b>	
2023	\$ -	\$ 275,000		\$ -	\$ 221,130	
2024	-	275,000		-	221,130	
2025	-	275,000		-	221,130	
2026	-	275,000		-	221,130	
2027	-	275,000		-	221,130	
2028-2032	-	1,375,000		-	1,105,650	
2033	5,500,000	275,000		6,500,000	221,130	
<b>Totals</b>	<b>\$ 5,500,000</b>	<b>\$ 3,025,000</b>		<b>\$ 6,500,000</b>	<b>\$ 2,432,430</b>	

The Series 2014A and 2014B bonds were issued as Qualified Energy Conservation Bonds (QEBCB) under provisions of the Internal Revenue Code. NUCorp expects to receive a cash subsidy payment from the United States Treasury equal to 70% of the interest payable on the Series 2014A and 2014B bonds. The subsidy payment is contingent on federal regulations and is subject to change. NUCorp recorded income from this subsidy of \$387,785 and \$387,875 , during the years ended June 30, 2022 and 2021, respectively.

**Note 6: Related Party Transactions**

The Board of Directors, under a management agreement which terminates in June 2022, has appointed Lincoln Electric System (LES) to supervise and manage system and business affairs of NUCorp. LES is reimbursed for these management services based on the allocated actual cost of these services. LES also provides electric energy to NUCorp at an established interruptible industrial rate. The total amount of payments to LES for management, operations and maintenance services was \$178,303 and \$204,495 for the years ended June 30, 2022 and 2021, respectively. The total amount of payments to LES for energy was \$7,682,359 and \$6,990,302 for the years ended June 30, 2022 and 2021, respectively. At June 30, 2022 and 2021, approximately \$743,965 or 15% and \$733,953 or 18%, respectively, of accounts payable was owed to LES.

UNL personnel contracts and manages major construction projects occurring on UNL's campuses. UNL initially pays the costs of the construction projects and is subsequently reimbursed by NUCorp.

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**Note 7: Risk Management**

NUCorp is subject to various risks of loss related to general liability and property. NUCorp is insured through UNL, who is partially self-insured to cover these risks.

**Note 8: Subsequent Events**

Through several discussions between members of the NUCorp Board of Directors and LES staff, it was determined that there is not a need for the existence of NUCorp in the future. These discussions also led to the conclusion that NUCorp would be dissolved on or after January 1, 2024, at which time all of NUCorp's outstanding bonds will be called, in accordance with the provisions of the 2014A and 2014B Series Bonds. As indicated in the termination of services agreement, NUCorp's Board of Directors released LES from its performance obligation under the Management Agreement, effective June 30, 2022, prior to dissolution of NUCorp. All LES's performance obligations were transitioned to staff of the University of Nebraska.