

# **Nebraska Utility Corporation**

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

June 30, 2021 and 2020

**Nebraska Utility Corporation**  
**(A Component Unit of the University of Nebraska)**  
**June 30, 2021 and 2020**

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## Independent Auditor's Report

Board of Directors  
Nebraska Utility Corporation  
Lincoln, Nebraska

We have audited the accompanying financial statements of Nebraska Utility Corporation, a component unit of the University of Nebraska, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise Nebraska Utility Corporation's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nebraska Utility Corporation as of June 30, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matter***

#### *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, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***BKD, LLP***

Lincoln, Nebraska  
September 10, 2021

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

### SIGNIFICANT EVENTS

- Work continued on improving the steam tunnel infrastructure on both East and City campuses. This project involves renovating and renewing steam tunnels and vaults which includes insulation, expansion joints, anchors, steam traps, isolation valves and structural repairs. This project will increase safety, reliability, and longevity of the steam distribution system.
- The installation of a new boiler (#8) to replace existing boiler (#6) on City campus continued. The existing boiler, installed in 1969, has reached the end of its useful life and has experienced major tube leaks and foundation settling and is no longer operational. A new boiler is required to meet campus demand while maintaining adequate steam production redundancy.
- The replacement of the 60,000 pound/hour boiler (#3) with two 30,000 pound/hour boilers on East campus is underway. Replacement of the deaerator and feedwater pumps and the installation of the condensate polisher will reduce chemicals, water and energy use. This project will provide greater energy efficiency and fault tolerance.

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

|  | 2021                 | 2020                | 2019                 |
|--|----------------------|---------------------|----------------------|
| Current Assets   | \$ 8,073,491         | \$10,051,118        | \$ 9,291,494         |
| Noncurrent Assets                                      | 16,621,762           | 15,375,753          | 10,667,287           |
| Capital Assets   | 66,003,404           | 62,312,692          | 62,327,871           |
| Deferred Outflows of Resources                         | 123,559              | 205,975             | 288,391              |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b> | <b>\$ 90,822,216</b> | <b>\$87,945,538</b> | <b>\$ 82,575,043</b> |
| Current Liabilities                                    | \$ 6,219,328         | \$ 6,646,341        | \$ 6,154,916         |
| Noncurrent Liabilities                                 | 12,047,987           | 14,134,083          | 15,727,210           |
| <b>TOTAL LIABILITIES</b>                               | <b>\$18,267,315</b>  | <b>\$20,780,424</b> | <b>\$21,882,126</b>  |
| Net Investment in Capital Assets                       | \$51,392,036         | \$46,456,598        | \$ 45,857,185        |
| Restricted   | 6,439,296            | 5,525,956           | 4,366,595            |
| Unrestricted   | 14,723,569           | 15,182,560          | 10,469,137           |
| <b>TOTAL NET POSITION</b>                              | <b>72,554,901</b>    | <b>67,165,114</b>   | <b>60,692,917</b>    |
| <b>TOTAL LIABILITIES AND NET POSITION</b>              | <b>\$90,822,216</b>  | <b>\$87,945,538</b> | <b>\$ 82,575,043</b> |

### 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.

### Comparison of 2020 to 2019

Total assets and deferred outflows of resources in 2020 increased \$5,370,495 or 7% over 2019. Current assets increased primarily due to an increase in accounts receivables from the University of Nebraska Lincoln (UNL). Capital assets decreased \$15,179 due to an increase in accumulated depreciation and a decrease in construction work in progress; offset by an increase in plant assets. 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 2020 decreased \$1,101,702 or 5% below 2019 mainly due to a reduction of long-term debt. Current liabilities increased \$491,425 due primarily to an increase in payables to UNL as a result of higher operations and maintenance expenses. Noncurrent liabilities decreased \$1,593,127 primarily due to a principal payment for the revenue bonds.

Net position in 2020 increased \$6,472,197 or 11% over 2019 based on results of operations.

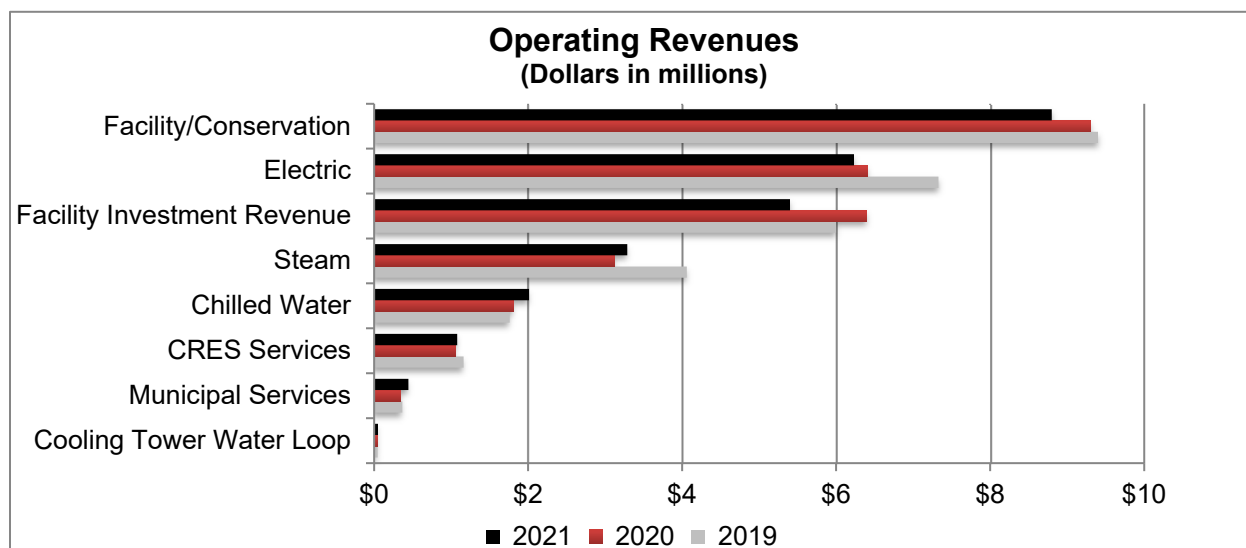
The following table summarizes operating results for the fiscal years ended June 30:

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

|   | 2021                | 2020                | 2019                |
|---|---------------------|---------------------|---------------------|
| Operating Revenues                              | \$ 27,307,704       | \$ 28,482,485       | \$ 30,126,063       |
| Operating Expenses                              | 21,617,765          | 22,018,002          | 23,419,931          |
| Operating Income                                | 5,689,939           | 6,464,483           | 6,706,132           |
| Interest Expense (Net of Interest Rate Subsidy) | (271,245)           | (318,913)           | (363,544)           |
| Other Non-Operating Income (Expense)            | (28,907)            | 326,627             | 244,891             |
| Total Non-Operating Income (Expense)            | (300,152)           | 7,714               | (118,653)           |
| <b>CHANGE IN NET POSITION</b>                   | <b>\$ 5,389,787</b> | <b>\$ 6,472,197</b> | <b>\$ 6,587,479</b> |

**OPERATING REVENUES**

The following chart illustrates operating revenues by category.



**Comparison of 2021 to 2020**

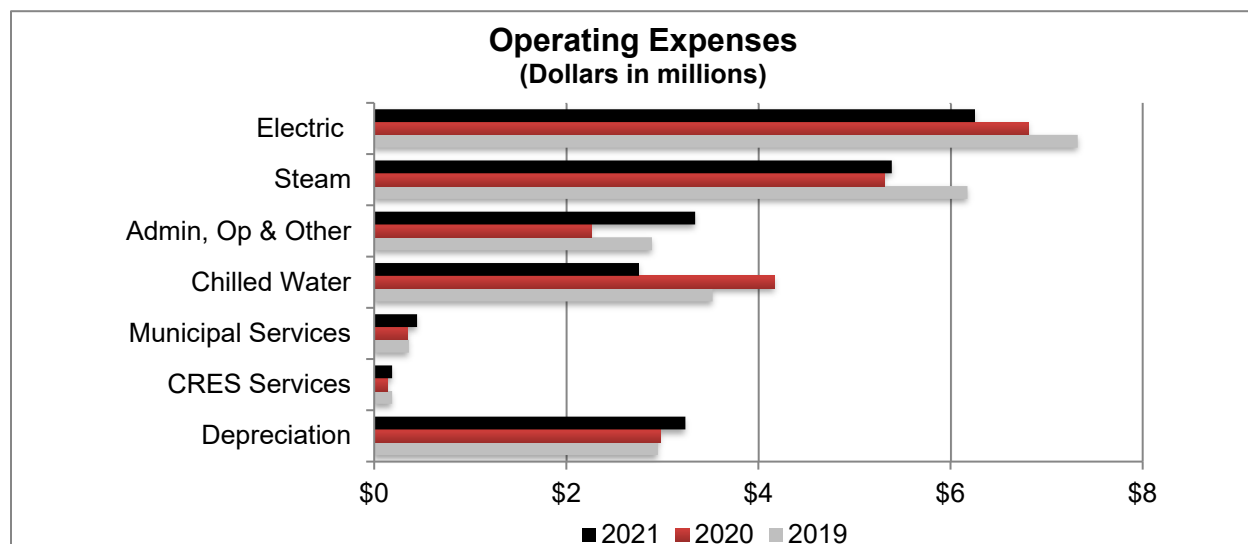
Operating revenues for 2021 were \$27,307,704, a decrease of \$1,174,781 from 2020 operating revenues of \$28,482,485. The decrease was primarily due to reduced fixed charges and commodity sales variations.

### Comparison of 2020 to 2019

Operating revenues for 2020 were \$28,482,485, a decrease of \$1,643,578 from 2019 operating revenues of \$30,126,063. The decrease was primarily due to lower UNL utility consumption as a result of the campus closures from the COVID-19 pandemic.

### OPERATING EXPENSES

The following chart illustrates operating expenses by category.



### 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.

### Comparison of 2020 to 2019

Operating expenses for 2020 were \$22,018,002, a decrease of \$1,401,929 from 2019 operating expenses of \$23,419,931. The decrease was due to lower UNL labor, natural gas, and electrical expenses. These decreases were offset by higher chilled water expenses as a result of increased repairs and maintenance expenses.

### CASH AND FINANCING ACTIVITIES

Cash and cash equivalents increased \$1,628,403 for fiscal year 2021 and decreased \$1,863,703 and \$2,550,026 for fiscal years 2020 and 2019 respectively. The following table summarizes the cash flows by activities for the fiscal years ended June 30:



## CONDENSED STATEMENTS OF CASH FLOWS

|   | 2021         | 2020           | 2019           |
|---|--------------|----------------|----------------|
| Cash Flows from Operating Activities          | \$10,204,314 | \$ 6,699,850   | \$ 10,648,881  |
| Cash Flows from Capital and Related Financing | (8,676,775)  | (3,931,426)    | (6,129,678)    |
| Cash Flows from Investing Activities          | 100,864      | (4,632,127)    | (7,069,229)    |
| CHANGE IN CASH & CASH EQUIVALENTS             | \$ 1,628,403 | \$ (1,863,703) | \$ (2,550,026) |

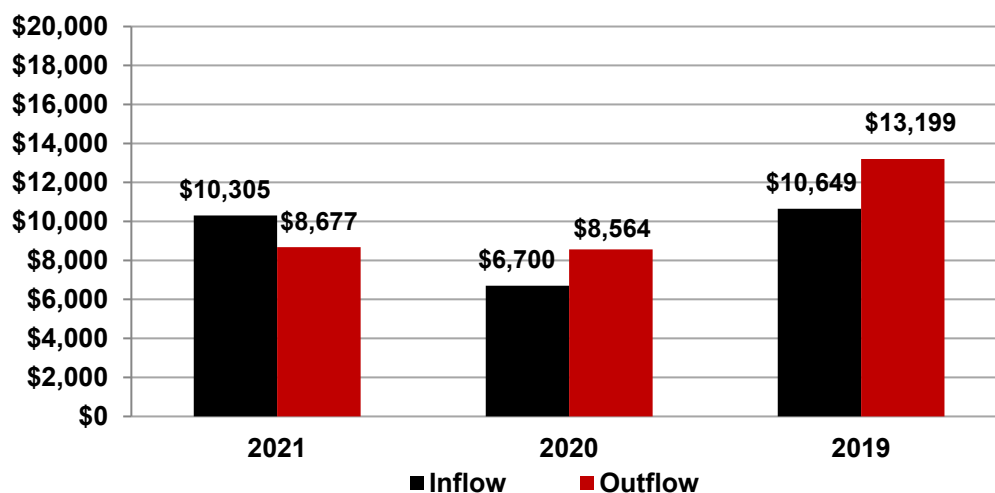
**Cash flows from operating activities** contain transactions involving customers and suppliers.

**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 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.

### Comparison of 2020 to 2019

Cash flows from operating activities for 2020 decreased \$3,949,031 from 2019 as a result of the timing of payments from UNL. Cash flows used for capital and related financing activities for 2020 decreased \$2,198,252 from 2019 primarily due to a decrease in cash used for acquisition and construction of capital assets. 2020 cash flows from investing activities decreased from 2019 due to less maturities and sales of investments.

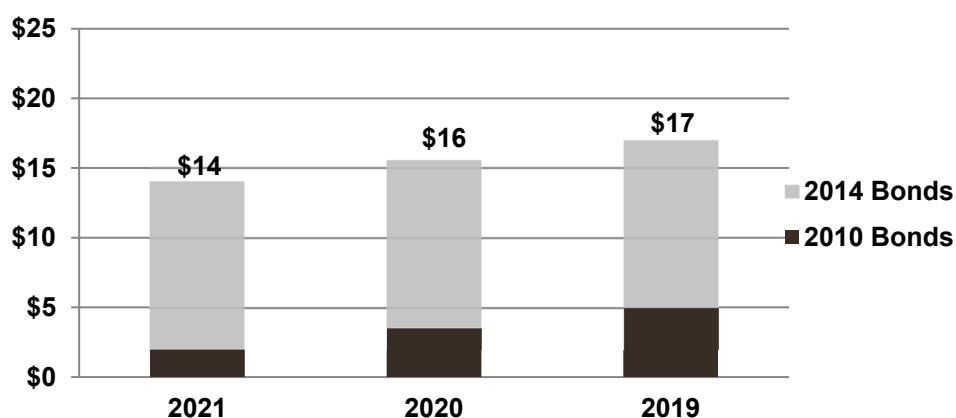
## FINANCING

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 2021 or 2020.

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 2010 and 2014 (Series B) bond issues. The 2014 QECB (Series A) were privately issued and did not require bond ratings. NUCorp's credit ratings in effect on June 30, 2021 were as follows:

|                      | S&P | Moody's |
|----------------------|-----|---------|
| 2014 QECB (Series B) | AA  | Aa1     |
| 2010 Revenue Bonds   | 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.

|   | 2021          | 2020          | 2019          |
|---|---------------|---------------|---------------|
| Operating Revenues                                | \$ 27,307,704 | \$ 28,482,485 | \$ 30,126,063 |
| Administration                                    | (909,250)     | (948,449)     | (1,027,988)   |
| Steam   | (5,389,202)   | (5,310,025)   | (6,177,268)   |
| General Operating and Maintenance                 | (1,037,975)   | (1,093,790)   | (1,722,610)   |
| Electric  | (6,255,739)   | (6,810,702)   | (7,324,971)   |
| Water/Sewer                                       | (318,377)     | (173,079)     | (104,068)     |
| Chilled Water                                     | (2,756,637)   | (3,143,154)   | (2,719,305)   |
| Municipal Utility Services                        | (446,113)     | (347,738)     | (361,809)     |
| Cooling Tower Services                            | (1,031,445)   | (1,029,209)   | (803,200)     |
| Cooling Tower Water Loop                          | (44,962)      | (42,983)      | (37,329)      |
| CRES  | (187,026)     | (141,772)     | (186,013)     |
| Total Operating Expenses (excluding depreciation) | (18,376,726)  | (19,040,901)  | (20,464,561)  |
| Net Operating Revenue                             | 8,930,978     | 9,441,584     | 9,661,502     |
| Investment Income                                 | 17,432        | 342,131       | 305,716       |
| Earnings Available for Debt Service               | \$ 8,948,410  | \$ 9,783,715  | \$ 9,967,218  |
| Debt Service                                      | \$ 2,650,109  | \$ 2,426,895  | \$ 2,453,363  |
| <b>DEBT SERVICE COVERAGE</b>                      | <b>3.38</b>   | <b>4.03</b>   | <b>4.06</b>   |

## CAPITAL PROGRAM

The following table summarizes capital investments for the fiscal years ended June 30 (2021, 2020 and 2019):

|               | Actual             |                     |                     |
|---------------|--------------------|---------------------|---------------------|
| Campus        | 2021               | 2020                | 2019                |
| City          | \$ 3,045,076       | \$ 2,257,433        | \$ 3,369,661        |
| East          | 3,627,941          | 654,289             | 995,487             |
| Common        | 292,449            | 50,200              | 529,002             |
| <b>Totals</b> | <b>\$6,965,466</b> | <b>\$ 2,961,922</b> | <b>\$ 4,894,150</b> |

Actual and budgeted capital expenditures for 2019 through 2022 included the following:

- City Campus:
  - Construction of a new mechanical maintenance shop due to the Boiler 6 project displacing the current maintenance shop.
  - Replacement of the utility plant fuel oil tank to comply with new EPA regulations.
  - Improvement to the steam tunnel infrastructure to increase safety, reliability and longevity of the steam distribution system.
  - Replacement of Boiler 6 which was installed in 1969 and has reached the end of its useful life. A new boiler 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.
- 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.

## **CONTACT INFORMATION**

This financial report is designed to provide a general overview of NUCorp's financial status for the fiscal periods ending 2021, 2020 and 2019. 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, 2021 and 2020**

**Assets and Deferred Outflows of Resources**

|   | <b>2021</b>   | <b>2020</b>   |
|---|---------------|---------------|
| <b>Current Assets</b>                           |               |               |
| Cash and cash equivalents                       | \$ 3,912,629  | \$ 3,931,531  |
| Restricted cash and investments                 | 2,172,500     | 1,847,838     |
| Accounts receivable                             | 1,809,793     | 4,154,063     |
| Accrued interest receivable                     | 5,358         | 24,778        |
| Inventories                                     | 173,211       | 92,908        |
| Total current assets                            | 8,073,491     | 10,051,118    |
| <b>Noncurrent Assets</b>                        |               |               |
| Cash and investments                            | 11,129,661    | 10,264,367    |
| Restricted cash and investments                 | 5,404,296     | 5,010,956     |
| Costs recoverable from future billings          | 87,805        | 100,430       |
| Total noncurrent assets                         | 16,621,762    | 15,375,753    |
| <b>Capital Assets</b>                           |               |               |
| Utility plant                                   | 87,228,195    | 86,866,449    |
| Accumulated depreciation                        | (29,592,517)  | (26,909,578)  |
| Construction work-in-progress                   | 8,367,726     | 2,355,821     |
| Total capital assets                            | 66,003,404    | 62,312,692    |
| <b>Deferred Outflows of Resources</b>           |               |               |
| Deferred loss on refunded debt                  | 123,559       | 205,975       |
| Total assets and deferred outflows of resources | \$ 90,822,216 | \$ 87,945,538 |

**Liabilities and Net Position**

|                                    |               |               |
|------------------------------------|---------------|---------------|
| <b>Current Liabilities</b>         |               |               |
| Accounts payable                   | \$ 4,046,828  | \$ 4,798,503  |
| Current portion of long-term debt  | 2,035,000     | 1,515,000     |
| Accrued interest payable           | 137,500       | 332,838       |
| Total current liabilities          | 6,219,328     | 6,646,341     |
| <b>Long-term Debt, Net</b>         |               |               |
| Total liabilities                  | 12,047,987    | 14,134,083    |
|                                    | 18,267,315    | 20,780,424    |
| <b>Net Position</b>                |               |               |
| Net investment in capital assets   | 51,392,036    | 46,456,598    |
| Restricted for debt service        | 6,439,296     | 5,525,956     |
| Unrestricted                       | 14,723,569    | 15,182,560    |
| Total net position                 | 72,554,901    | 67,165,114    |
| Total liabilities and net position | \$ 90,822,216 | \$ 87,945,538 |

**Nebraska Utility Corporation**  
**(A Component Unit of the University of Nebraska)**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended June 30, 2021 and 2020**

|   | <b>2021</b>          | <b>2020</b>          |
|---|----------------------|----------------------|
| <b>Operating Revenues</b>               | <b>\$ 27,307,704</b> | <b>\$ 28,482,485</b> |
| <b>Operating Expenses</b>               |                      |                      |
| Administration                          | 909,250              | 948,449              |
| Steam                                   | 5,389,202            | 5,310,025            |
| General operating and maintenance       | 1,037,975            | 1,093,790            |
| Electric                                | 6,255,739            | 6,810,702            |
| Water/sewer                             | 318,377              | 173,079              |
| Chilled water                           | 2,756,637            | 3,143,154            |
| Municipal utility services              | 446,113              | 347,738              |
| Cooling tower water                     | 1,031,445            | 1,029,209            |
| Cooling tower water loop                | 44,962               | 42,983               |
| CRES services                           | 187,026              | 141,772              |
| Depreciation                            | 3,241,039            | 2,977,101            |
| Total operating expenses                | 21,617,765           | 22,018,002           |
| Operating income                        | 5,689,939            | 6,464,483            |
| <b>Nonoperating Income (Expenses)</b>   |                      |                      |
| Interest expense on long-term debt      | (659,120)            | (705,965)            |
| Investment income                       | 17,432               | 342,131              |
| Interest rate subsidy – QECCB           | 387,875              | 387,052              |
| Net costs recoverable                   | (12,624)             | (15,504)             |
| Loss on disposal of plant asset         | (33,715)             | -                    |
| Total nonoperating income (expenses)    | (300,152)            | 7,714                |
| <b>Change in Net Position</b>           | 5,389,787            | 6,472,197            |
| <b>Net position – Beginning of Year</b> | 67,165,114           | 60,692,917           |
| <b>Net position – End of Year</b>       | \$ 72,554,901        | \$ 67,165,114        |

**Nebraska Utility Corporation**  
**(A Component Unit of the University of Nebraska)**  
**Statements of Cash Flows**  
**Years Ended June 30, 2021 and 2020**

|  | 2021          | 2020          |
|--|---------------|---------------|
| <b>Operating Activities</b>  |               |               |
| Received from sales to customers and users                               | \$ 29,651,974 | \$ 26,164,449 |
| Paid to suppliers for goods and services                                 | (19,447,660)  | (19,464,599)  |
|  |               |               |
| Net cash flow provided by operating activities                           | 10,204,314    | 6,699,850     |
| <b>Capital and Related Financing Activities</b>                          |               |               |
| Capital expenditures for utility plant                                   | (6,726,512)   | (2,140,803)   |
| Principal payments on long-term debt                                     | (1,515,000)   | (1,440,000)   |
| Interest payments on long-term debt                                      | (823,138)     | (737,675)     |
| Interest rate subsidy – QECB   | 387,875       | 387,052       |
|  |               |               |
| Net cash flows used in capital and related financing activities          | (8,676,775)   | (3,931,426)   |
| <b>Investing Activities</b>  |               |               |
| Net purchases of investments   | (23,609)      | (4,969,152)   |
| Interest received  | 124,473       | 337,025       |
|  |               |               |
| Net cash flows provided by (used in) investing activities                | 100,864       | (4,632,127)   |
| <b>Net Change in Cash and Cash Equivalents</b>                           | 1,628,403     | (1,863,703)   |
| <b>Cash and Cash Equivalents - Beginning of Year</b>                     | 4,216,451     | 6,080,154     |
| <b>Cash and Cash Equivalents - End of Year</b>                           | \$ 5,844,854  | \$ 4,216,451  |
| <b>Reconciliation of Cash and Cash Equivalents to the Balance Sheets</b> |               |               |
| Current assets   |               |               |
| Cash and cash equivalents  | \$ 3,912,629  | \$ 3,931,531  |
| Restricted cash and investments  | 2,172,500     | 1,847,838     |
| Noncurrent assets  |               |               |
| Cash and investments   | 11,129,661    | 10,264,367    |
| Restricted cash and investments  | 5,404,296     | 5,010,956     |
|  |               |               |
| Total cash and investments   | 22,619,086    | 21,054,692    |
| Less: investments not classified as cash equivalents                     | (16,774,232)  | (16,838,241)  |
|  | \$ 5,844,854  | \$ 4,216,451  |

**Nebraska Utility Corporation**  
**(A Component Unit of the University of Nebraska)**  
**Statements of Cash Flows – Continued**  
**Years Ended June 30, 2021 and 2020**

|  | <b>2021</b>          | <b>2020</b>         |
|--|----------------------|---------------------|
| <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b> |                      |                     |
| Operating income   | \$ 5,689,939         | \$ 6,464,483        |
| Noncash items included in operating income   |                      |                     |
| Depreciation   | 3,241,039            | 2,977,101           |
| Changes in operating assets and liabilities  |                      |                     |
| Accounts receivable  | 2,344,270            | (2,318,036)         |
| Inventories  | (80,303)             | (55,003)            |
| Accounts payable   | (990,631)            | (368,695)           |
| Net cash provided by operating activities  | <b>\$ 10,204,314</b> | <b>\$ 6,699,850</b> |
| <b>Supplemental Non-cash Activities</b>  |                      |                     |
| Capital expenditures in accounts payable   | \$ 1,651,940         | \$ 1,412,986        |



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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, 2021 and 2020, cash equivalents consisted of money market funds, short-term U.S. treasury bills and U.S. agency obligations.

***Investments and Investment Income***

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, 2021 and 2020.

***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, 2021 and 2020, 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. Interest incurred during the construction phase of projects financed with bond proceeds is reflected in the capitalized value of the capital assets constructed, net of interest earned on the invested proceeds over the same period.

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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 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.

***Reclassifications***

Certain reclassifications have been made to the 2020 financial statements to conform to the 2021 presentation. The reclassifications had no effect on the changes in the net position.

**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.

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NUCorp had the following investments as of June 30:

| <b>June 30, 2021</b>      | <b>Carrying Value</b> | <b>Maturities in Years</b> |                   | <b>Credit Ratings</b>    |
|---------------------------|-----------------------|----------------------------|-------------------|--------------------------|
|                           |                       | <b>Less Than 1</b>         | <b>1 - 5</b>      | <b>Moody's / S&amp;P</b> |
| 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> |                          |

| <b>June 30, 2020</b>      | <b>Carrying Value</b> | <b>Maturities in Years</b> |                     | <b>Credit Ratings</b>    |
|---------------------------|-----------------------|----------------------------|---------------------|--------------------------|
|                           |                       | <b>Less Than 1</b>         | <b>1 - 5</b>        | <b>Moody's / S&amp;P</b> |
| Money market mutual funds | \$ 2,298,486          | \$ 2,298,486               | \$ -                | Aaa-mf / AAAM            |
| U.S. agency obligations   | 13,929,133            | 8,483,942                  | 5,445,191           | Aaa / AA+                |
| U.S. Treasury securities  | 2,901,397             | 2,901,397                  | -                   | Aaa / AA+                |
|                           | <u>\$ 19,129,016</u>  | <u>\$ 13,683,825</u>       | <u>\$ 5,445,191</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, 2021 and 2020 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.

| 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%                           |                      |
| 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:

|  | 2021   | 2020   |
|--|--------|--------|
| U.S. sponsored agency obligations      |        |        |
| Federal Farm Credit Banks              | 27.55% | 28.48% |
| Federal Home Loan Mortgage Corporation | 0.00%  | 25.30% |
| Federal Home Loan Bank                 | 0.00%  | 19.07% |

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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:

|   | <b>2021</b>   | <b>2020</b>   |
|---|---------------|---------------|
| Deposits                                  | \$ 1,405,459  | \$ 1,925,676  |
| Investments                               | 21,213,627    | 19,129,016    |
|   | \$ 22,619,086 | \$ 21,054,692 |
|   | <b>2021</b>   | <b>2020</b>   |
| Current assets                            |               |               |
| Cash and cash equivalents                 |               |               |
| Operating funds                           | \$ 3,912,629  | \$ 3,931,531  |
| Restricted cash and investments           |               |               |
| Bond principal and interest funds         | 2,329,963     | 1,847,838     |
| Noncurrent assets                         |               |               |
| Cash and investments - construction funds | 11,129,661    | 10,264,367    |
| Restricted cash and investments           |               |               |
| Bond reserve funds                        | 1,075,746     | 1,073,103     |
| Bond principal and interest funds         | 4,171,087     | 3,937,853     |
|   | \$ 22,619,086 | \$ 21,054,692 |

**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, 2021 and 2020:

| <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 | -              | 13,629,159           | -              | 13,629,159           |
| Totals                   | <u>\$ -</u>    | <u>\$ 19,472,460</u> | <u>\$ -</u>    | <u>\$ 19,472,460</u> |

| <b>June 30, 2020</b>     | <b>Level 1</b> | <b>Level 2</b>       | <b>Level 3</b> | <b>Total</b>         |
|--------------------------|----------------|----------------------|----------------|----------------------|
| U.S. Agency obligations  | \$ -           | \$ 13,929,133        | \$ -           | \$ 13,929,133        |
| U.S. Treasury securities | -              | 2,901,397            | -              | 2,901,397            |
| Totals                   | <u>\$ -</u>    | <u>\$ 16,830,530</u> | <u>\$ -</u>    | <u>\$ 16,830,530</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,<br/>2020</b> | <b>Increase</b>     | <b>Decrease</b>    | <b>Transfers</b> | <b>June 30,<br/>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 | (26,909,578)            | (3,241,039)         | 558,100            | -                | (29,592,517)             |
| Totals                         | <u>\$ 62,312,692</u>    | <u>\$ 3,724,427</u> | <u>\$ (33,715)</u> | <u>\$ -</u>      | <u>\$ 66,003,404</u>     |
|                                | <b>July 1,<br/>2019</b> | <b>Increase</b>     | <b>Decrease</b>    | <b>Transfers</b> | <b>June 30,<br/>2020</b> |
| Construction work-in-progress  | \$ 4,499,476            | \$ 2,884,020        | \$ -               | \$ (5,027,675)   | \$ 2,355,821             |
| Utility plant                  | 81,838,318              | 77,902              | (77,446)           | 5,027,675        | 86,866,449               |
| Less: accumulated depreciation | (24,009,923)            | (2,977,101)         | 77,446             | -                | (26,909,578)             |
| Totals                         | <u>\$ 62,327,871</u>    | <u>\$ (15,179)</u>  | <u>\$ -</u>        | <u>\$ -</u>      | <u>\$ 62,312,692</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 2010 and Series 2014B totaling \$2,035,000 and \$5,500,000, respectively, as of June 30, 2021. 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, 2021. 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:

|   | <u>Date<br/>Callable</u> | <u>2021</u>          | <u>2020</u>          |
|---|--------------------------|----------------------|----------------------|
| <b>Revenue Bonds</b>  |                          |                      |                      |
| Series 2010 bonds, due in varying amounts through 2022,<br>interest at 1.00% to 5.00% | 2021                     | \$ 2,035,000         | \$ 3,550,000         |
| 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               | 99,083               |
| Less: current maturities  |                          | <u>(2,035,000)</u>   | <u>(1,515,000)</u>   |
|   |                          | <u>\$ 12,047,987</u> | <u>\$ 14,134,083</u> |

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

|                                     | <u>July 1,<br/>2020</u> | <u>Increase</u> | <u>Decrease</u>      | <u>June 30,<br/>2021</u> | <u>Due Within<br/>One Year</u> |
|-------------------------------------|-------------------------|-----------------|----------------------|--------------------------|--------------------------------|
| Revenue bonds                       | \$ 9,050,000            | \$ -            | \$(1,515,000)        | \$ 7,535,000             | \$ 2,035,000                   |
| Revenue bonds<br>(direct placement) | 6,500,000               | -               | -                    | 6,500,000                | -                              |
| Total                               | <u>\$ 15,500,000</u>    | <u>\$ -</u>     | <u>\$(1,515,000)</u> | <u>\$14,035,000</u>      | <u>\$ 2,035,000</u>            |
|                                     | <u>July 1,<br/>2019</u> | <u>Increase</u> | <u>Decrease</u>      | <u>June 30,<br/>2020</u> | <u>Due Within<br/>One Year</u> |
| Revenue bonds                       | \$ 10,490,000           | \$ -            | \$(1,440,000)        | \$ 9,050,000             | \$ 1,515,000                   |
| Revenue bonds<br>(direct placement) | 6,500,000               | -               | -                    | 6,500,000                | -                              |
| Total                               | <u>\$ 16,990,000</u>    | <u>\$ -</u>     | <u>\$(1,440,000)</u> | <u>\$15,500,000</u>      | <u>\$ 1,515,000</u>            |

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Debt service requirements as of June 30, 2021 were as follows:

| <b>Year Ending<br/>June 30,</b> | <b>Revenue Bonds</b> |                     | <b>Revenue Bonds<br/>(Direct Placement)</b> |                     |
|---------------------------------|----------------------|---------------------|---|---------------------|
|                                 | <b>Principal</b>     | <b>Interest</b>     | <b>Principal</b>                            | <b>Interest</b>     |
| 2022                            | \$ 2,035,000         | \$ 321,898          | \$ -  | \$ 110,565          |
| 2023                            | -                    | 275,000             | -   | 221,130             |
| 2024                            | -                    | 275,000             | -   | 221,130             |
| 2025                            | -                    | 275,000             | -   | 221,130             |
| 2026                            | -                    | 275,000             | -   | 221,130             |
| 2027-2031                       | -                    | 1,375,000           | -   | 1,105,650           |
| 2032-2033                       | 5,500,000            | 550,000             | 6,500,000                                   | 442,260             |
| Totals                          | <u>\$ 7,535,000</u>  | <u>\$ 3,346,898</u> | <u>\$ 6,500,000</u>                         | <u>\$ 2,542,995</u> |

The Series 2014A and 2014B bonds were issued as Qualified Energy Conservation Bonds (QECB) 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 \$387,875 and \$387,052, during the years ended June 30, 2021 and 2020, respectively.

**Note 6: Related Party Transactions**

The Board of Directors, under a management agreement which terminates in 2026 or when all long-term indebtedness of NUCorp has been paid (current final maturity in 2033), 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 \$204,495 and \$116,919 for the years ended June 30, 2021 and 2020, respectively. The total amount of payments to LES for energy was \$6,990,302 and \$8,206,616 for the years ended June 30, 2021 and 2020, respectively. At June 30, 2021 and 2020, approximately \$733,953 or 18% and \$679,357 or 14%, 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.